



2016
—
ANNUAL
REPORT

IAM



Index

01

HIGHLIGHTS

Financial Summary	4
Operational background	4
Stock market performance	5
Income distribution 2016	5
Investments 2016	6
Ebitda - Ebitda Margin	6
Accident Rate	7

02

LETTER FROM THE PRESIDENT

Letter from the President	9
---------------------------------	---

03

THE COMPANY

Inversiones Aguas Metropolitanas, IAM	12
History of IAM	13
Company ownership	16
Board of Directors and administration	18

04

OPERATION OF THE COMPANY

The Company	23
Operations	24
Customers	25
Non-regulated companies	27

05

YEAR 2016

Hand in hand with sustainability	29
Integrated water management	31
Investments for the year	36
Costumers	37
Employees	38
Enviroment	40

06

FINANCIAL MANAGEMENT

Responsible and consistent management	42
Investments and financing	43
Risk Factors	44
Top suppliers	45
Dividend Policy	46
Distributable Profits 2016	46
Share Transactions	48

07

CORPORATE GOVERNANCE

The Board of Directors	51
Directors' Committee	54
Compensation of the Board of Directors and Administration	56
Essential facts	61

08

GENERAL INFORMATION

Company identification	63
Sanitation regulation	64
Declaration of responsibility	65

09

FINANCIAL STATEMENTS

Independent Auditors Report	67
Financial Statements	68

HIGHLIGHTS
2016



Statistics and indicators

FINANCIAL SUMMARY ⁽¹⁾

Earnings for 2016 reached \$74,289 million, which represents a 17% increase compared to the figure reached in 2015.

As of December 31 st	2012	2013	2014	2015	2016
Potable water revenues	152,918	157,307	171,488	180,937	190,400
Sewage revenues	174,839	184,299	202,001	220,706	235,459
Other regulated revenues	14,948	16,557	20,282	18,015	17,161
Other non-regulated revenues	40,322	45,884	47,085	53,739	48,978
Total revenues	383,027	404,047	440,856	473,397	491,998
Operational result	186,292	182,948	206,569	212,999	237,928
Net income	60,214	57,648	58,711	63,283	74,289
Total assets	1,819,288	1,850,756	1,879,381	1,963,814	2,044,461
Short-term liabilities	167,343	221,033	177,518	233,356	212,349
Long-term liabilities	695,418	680,044	763,838	787,470	873,274
Minority interest	372,739	368,767	360,391	362,362	369,155
Equity attributable to shares of the parent company	583,788	580,912	577,634	580,626	589,683

⁽¹⁾ Operating Revenue = Ordinary income - consumption of raw materials and secondary materials - personnel expenses - depreciation and amortization - impairment losses - other miscellaneous operating expenses.

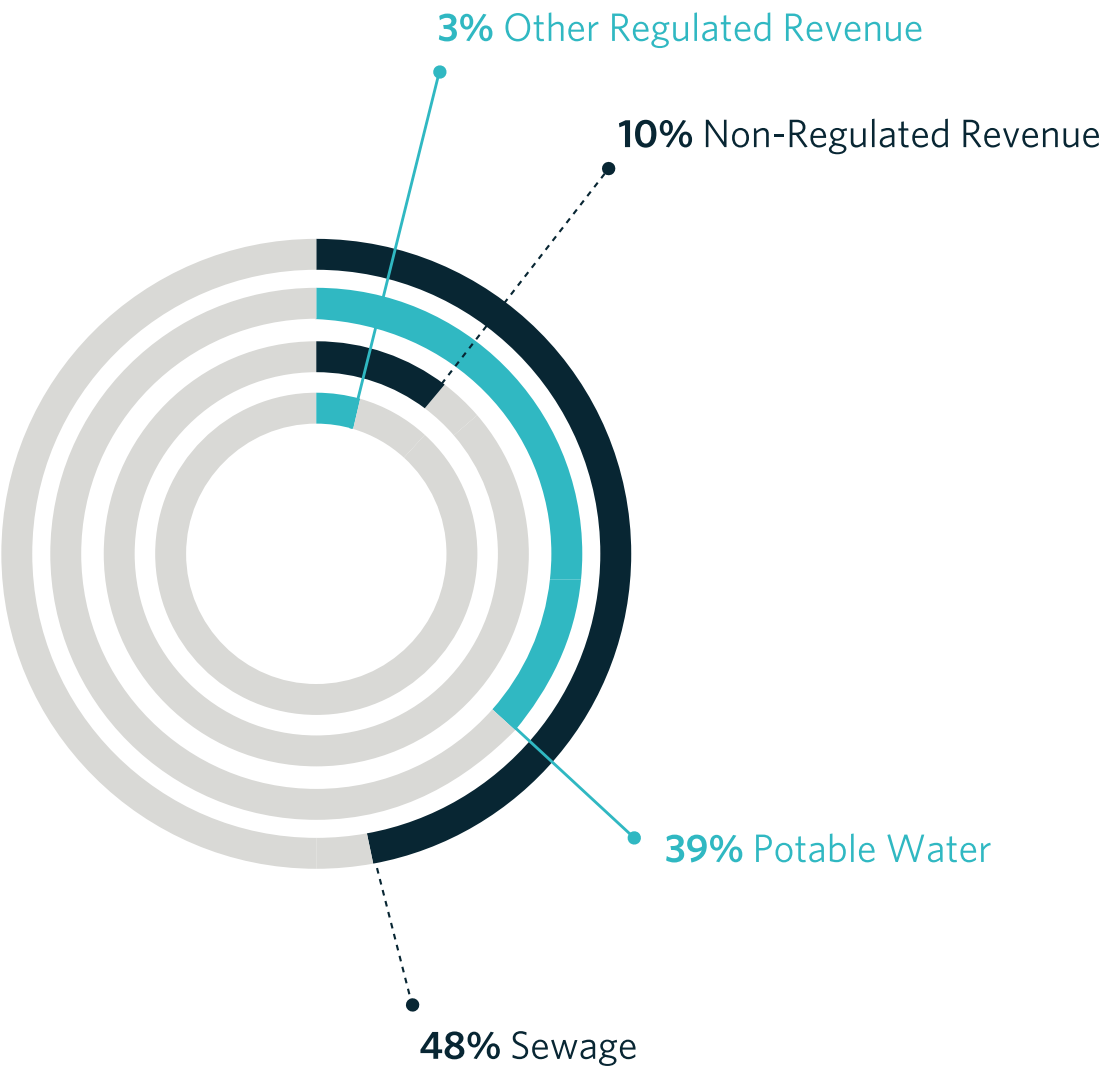
OPERATIONAL BACKGROUND

100% potable water coverage, 98% collection and 100% treatment are the high standards which IAM’s sanitation companies achieve.

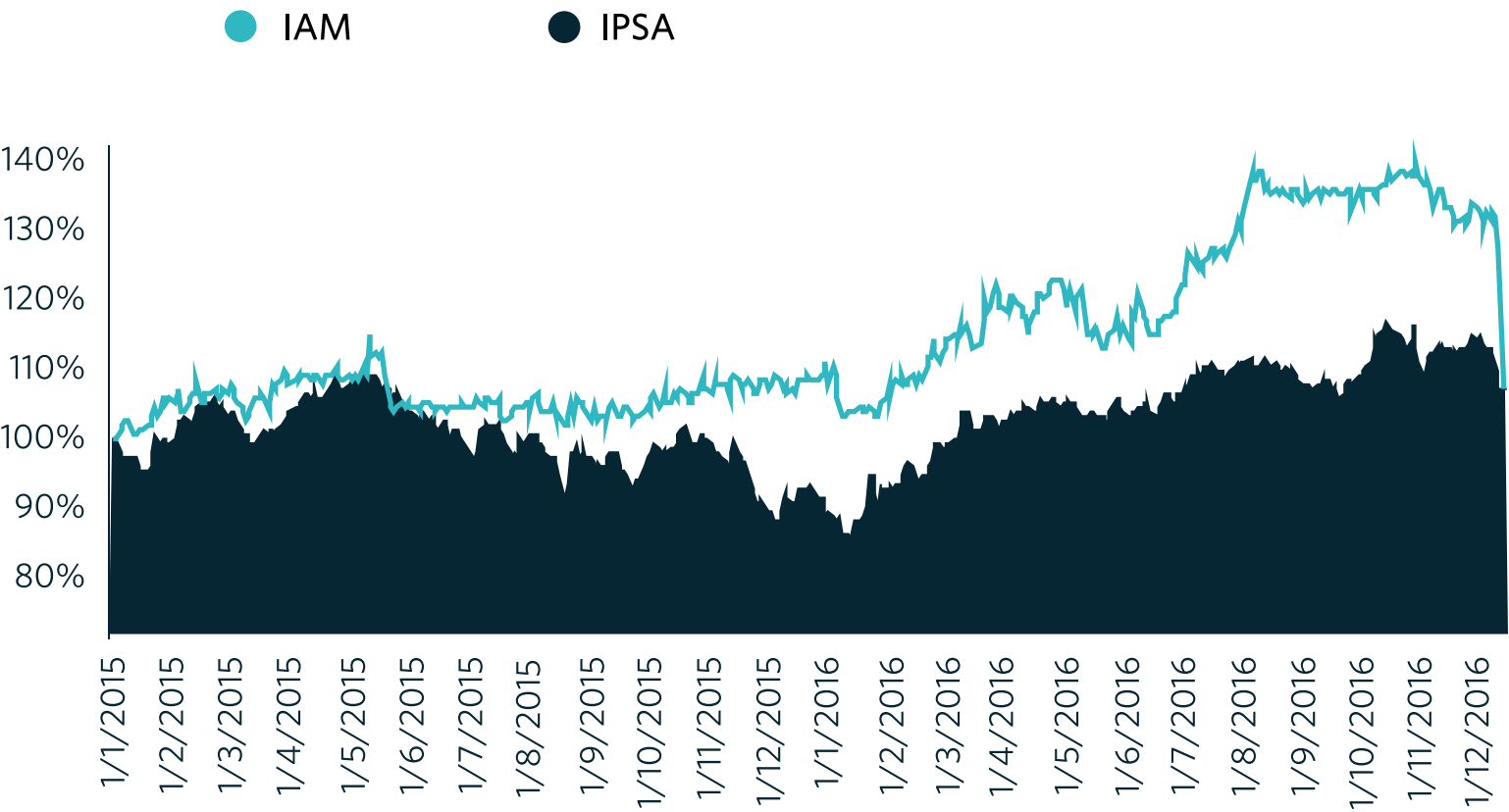
As of December 31 st	2012	2013	2014	2015	2016
Total potable water clients	1,984,132	2,039,298	2,096,999	2,149,473	2,213,869
Total sewerage clients	1,943,788	1,999,419	2,045,634	2,096,347	2,160,473
Total potable water billed (millions of m³)	539.2	548.9	558.6	562.2	569.2
Collection of wastewater billed (millions of m³)	526.5	534.1	540.5	542.9	549.6
Treatment and disposal of wastewater billed (millions of m³)	460.4	466.9	473.7	472.7	480.2
Sewer interconnection billed (millions of m³)	119.6	119.1	119.3	123.6	122.2
Total potable water coverage	100.0%	100.0%	100.0%	100.0%	100.0%
Total wastewater collection coverage	98.1%	98.3%	98.4%	98.4%	-1
Total wastewater treatment coverage	100.0%	100.0%	100.0%	100.0%	100.0%
Total employees	1,843	1,857	1,881	1,953	2,033

⁽¹⁾ Estimates by the Superintendence of Sanitation Services to be published in 2017.

DISTRIBUTION OF REVENUES 2016

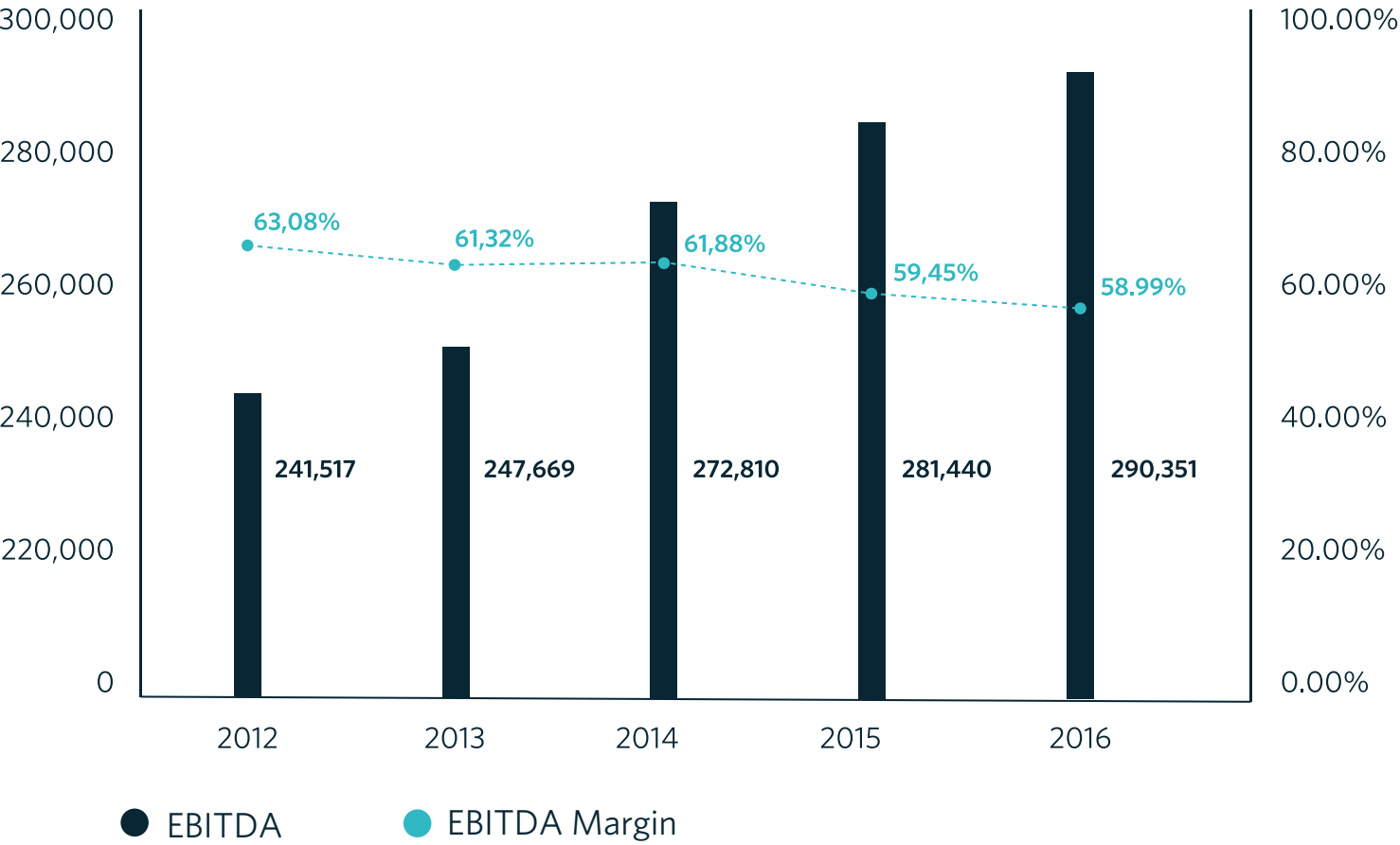


STOCK MARKET PERFORMANCE ⁽¹⁾



⁽¹⁾ Source: Santiago Stock Exchange. Base 100.

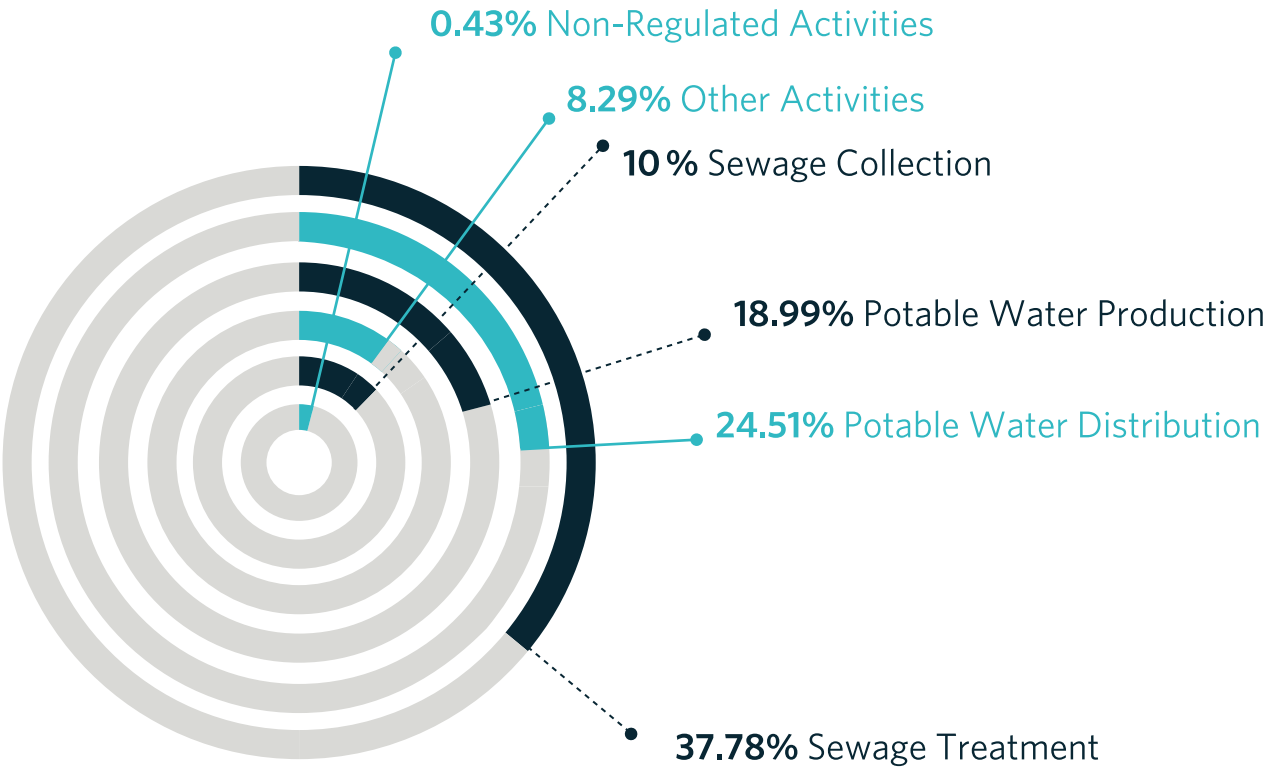
EBITDA - EBITDA MARGIN ^{(2) (3)}



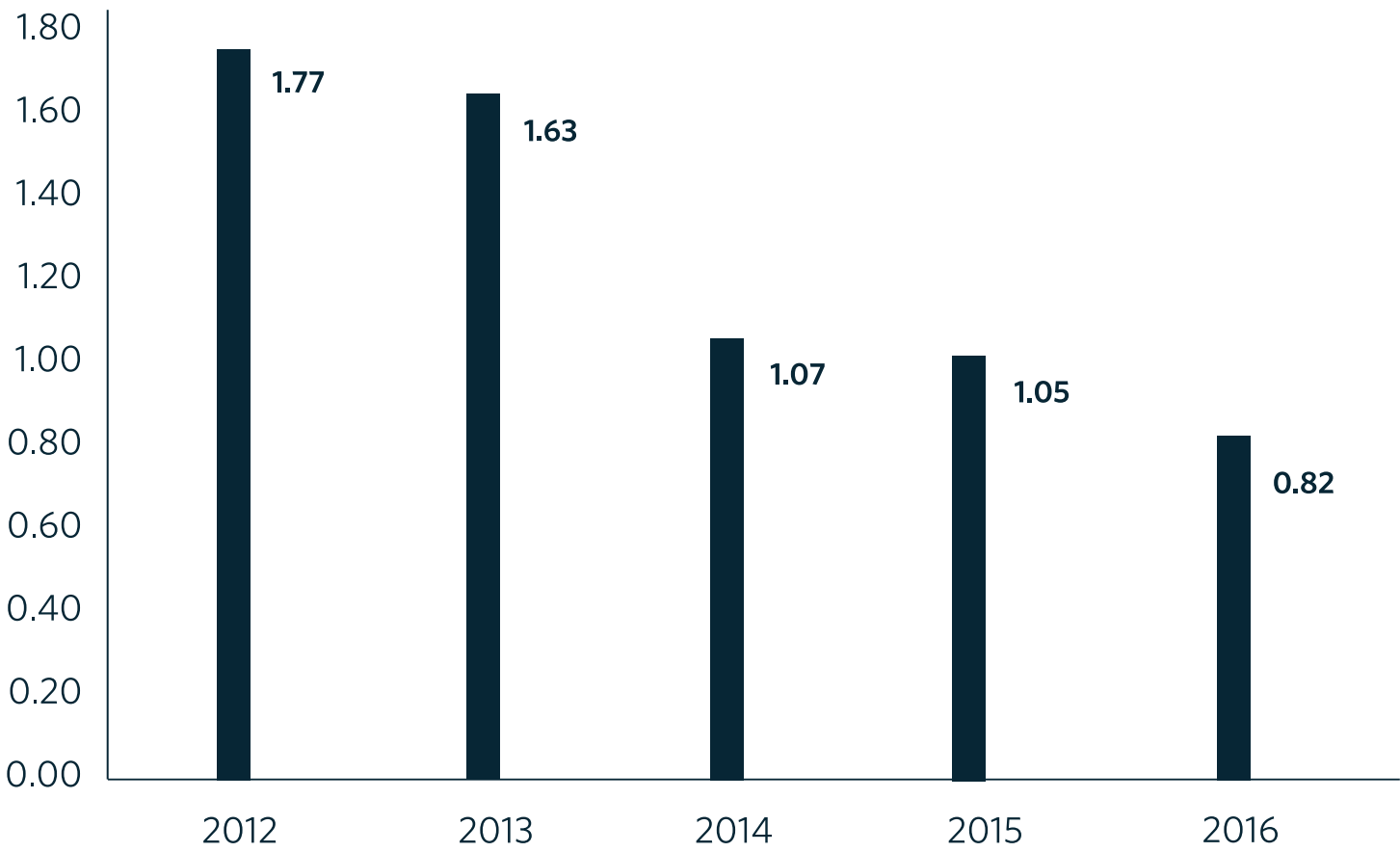
^{(2) (3)} EBITDA: Operating Income + depreciation + amortization of intangibles. EBITDA: Earnings - consumption of raw and secondary materials - staff costs - other miscellaneous operating expenses.

INVESTMENTS 2016

\$112,978 million was the volume of investments made by IAM's subsidiaries in 2016.



ACCIDENT RATE ⁽¹⁾



⁽¹⁾ Number of accidents with time lost/ Average number of workers during the period.

LETTER FROM
THE PRESIDENT

02



Letter from the President

Dear Shareholders:

As President of the Board of Directors of Inversiones Aguas Metropolitanas S.A., I am pleased to present the Company's Annual Report and Financial Statements for 2016.

Within the economic context of deceleration throughout Latin America generally and Chile in particular, IAM experienced a steady year in which its main investment, the sanitation company Aguas Andinas and its subsidiaries, continued with their robust investment plan. These companies provided greater security and better service in supplying potable water and addressing the increase in clients, given the progressive growth of the city of Santiago.

With the aim of bringing a new framework to its operations, in 2016 the sanitation company Aguas Andinas established a corporate strategy that seeks to support its vision of being a sustainability leader for the country and the region. Along these lines, the subsidiary defined a clear orientation towards its clients, executing projects to improve the service experience with the goal of granting more agile and effective attention in resolving needs at every level.

In terms of investments, over the year these reached a figure of \$112.978 billion CLP. In general, investments were designated for potable water production, distribution and sanitation works. It is worth mentioning the Estanque de Pirque project, which includes the construction of six ponds with a combined reserve capacity of 1,500,000 cubic meters of raw water, which will grant greater autonomy and security to the potable water system in the country's Metropolitan Region.



Additionally, and in line with the commitment to environmental sustainability, the Hydraulic Efficiency Plan continued last year with the goal of improving the network’s technical performance to 80% by 2021. In the sanitation area, expansion of the Trebal-Mapocho Plant was completed, involving a total investment of \$71.815 billion CLP. The expansion of the Curacaví Sewage Treatment Plant also began, which will reach an estimated total of \$2.006 billion CLP.

IAM has a sustainable business model based on responsibility and excellence criteria, coinciding with that of Aguas Andinas, which has allowed it to respond efficiently and diligently to the force majeure event that occurred in April 2016 and which caused extreme turbidity in the Maipo River, resulting in a massive cut in potable water supply. Thanks to the work and experience of the company's teams, impact to customers was minimized, restoring drinking water supply in a short amount of time. Likewise, in June there was an unexpected rupture of the potable water network in the Providencia commune, a high traffic area of the city of Santiago, which caused an interruption in public transport and metro services in the area. Once again the sanitation company’s staff worked in a coordinated and efficient manner, in order to resolve the situation as soon as possible and return the city's traffic to normal conditions in just a few hours.

This responsible management, which strives for sustainable operations, was recognized again by institutions and the market. Aguas Andinas was included for the second consecutive year in the Dow Jones Sustainability Index of Emerging Markets, while both IAM and Aguas Andinas were selected once again to be part of the Dow Jones Index Chile, the sustainability index of the Santiago Stock Exchange.

In 2016, the Board of Directors complied with the corporate governance practices it adopted, in accordance with General Rule N°385, including among them the Board's training in matters of greatest interest.

In relation to financial management, in 2016 the subsidiary Aguas Andinas made two successful bond issues: Series Z for 1,000,000 UFs (Unidades de Fomento) and Series AA for 2,000,000 UFs, which allowed it to capture

resources to meet the annual investment plan and at the same time refinancing financial liabilities.

In terms of results, EBITDA reached \$290.351 billion CLP last year, reflecting a 3% growth in relation to the previous year. Net income for the period was \$74.289 billion CLP.

These positive results have also been possible thanks to the stability of the local sanitation sector, which has provided a known framework of action with clear rules that facilitate the high investments required of the business. However, in December a bill was approved by the Chamber of Deputies that would make amendments to the sanitation legislation (Bulletin 20.795-33), and which could factor in high uncertainty factors into the sector.

As IAM, we do not agree with this parliamentary initiative due to the constitutionality and legality flaws endorsed by the legal report requested by the Company's Board of Directors and disclosed through the Company's website. We trustfully expect that within the appropriate authorities will prevail an in-depth of this bill in order to safeguard the stability of the model, which has allowed undeniable growth of the of the Chilean sanitation sector, making it a true example at the global level.

We want to continue along the path of progress, modernization and sustainability we have established in the country. We possess the motivation and the knowledge to continue contributing to the quality of life of the inhabitants of the cities in which we operate, through the integral and sustainable management of the water cycle.



President
Felipe Larrain Aspillaga

THE COMPANY





INVERSIONES AGUAS METROPOLITANAS, IAM

IAM owns 50.1% of the assets of Aguas Andinas and its subsidiaries, Chile's largest sanitation group and one of the largest private companies in this industry in Latin America.

50.1%

History of the Company

With 17 years in service, IAM has consolidated a strong position in the market, thanks to the operational efficiency achieved by its sanitation companies, the stability of its cash flow, and being part of a sanitation industry operating in a stable and transparent regulatory framework.

In order to participate in the privatization process of Empresa Metropolitana de Obras Sanitarias S.A. (EMOS S.A.), currently Aguas Andinas S.A., a limited liability company called Inversiones Aguas Metropolitanas (IAM) was created on May 19, 1999, constituted by the Agbar Group and Suez Environnement Group (now known as Suez).

In the international tender carried out by Chile’s Corporation for the Promotion of Production (CORFO), IAM was awarded an equity package, then subscribed a capital increase and bought additional shares in the Stock Exchange. In this way, it took control of Aguas Andinas (ex EMOS), with ownership of 51.2% of its share capital.

As of June 2005, IAM was transformed into a public limited liability company and restricted its business purpose, which was limited to investing in shares of Aguas Andinas and the provision of all kinds of advisory, consultancy and other services related to the transfer of technology and know-how, technical assistance, business and project administration, especially those related to the management and operation of services related to the sanitation sector.

In November of that same year, IAM was opened to the stock exchange, placing an equity stake corresponding to 43.4% of its ownership. As a result of this transaction, new shareholders were added, with Agbar remaining the sole controlling shareholder of the Company, with 56.6% of the company's shares.

In 2006, IAM sold 1.1% of its shares in Aguas Andinas, retaining 50.1% of assets and, along with that, control of the sanitation company. The following year and in order to give access to all types of shareholders to the company's property, an ADR Level I program was implemented, which allowed the company to trade its shares in the United States Over-the-Counter market.





In 2008, the Aguas Andinas subsidiary acquired 53.5% of the Empresa de Servicios Sanitarios de Los Lagos (ESSAL), whose concession areas are located in the Los Lagos and Los Ríos Regions in southern Chile. With this move, IAM's sanitation subsidiaries reached a market share of 42.5% at the local level.

In June 2010, Suez indirectly acquired 75.01% of the shares of Agbar, thus becoming the new controlling shareholder of the Company.

In 2013, the Company, through its sanitation companies, began operating the Mapocho Plant, complying with its commitment to sanitize 100% of the wastewater from the Metropolitan Region.

The following year, as a result of a coherent and responsible financial policy, IAM's subsidiary, Aguas Andinas achieved the best historical rate for a long-term bond placement, demonstrating market and investor confidence in IAM's management of its sanitation companies.

During 2014, Suez acquired 24.99% of Agbar's shares, becoming the sole controller of the Company. In 2015, IAM and its subsidiary Aguas Andinas entered the Dow Jones Sustainability Index Chile, the first sustainability index of the Santiago Stock Exchange, which included only 12 companies in the country.

Finally, in 2016, for the second consecutive year, IAM and Aguas Andinas were both selected to be included in the Dow Jones Sustainability Index Chile. For its part, Aguas Andinas began a new stage of development, implementing a more transversal and collaborative way of working focused on and committed to the well-being of its customers. Aguas Andinas also received a bronze medal in the Chilean PROHumana Sustainability Ranking. During this year, the IAM ADR program was also finalized.

Milestones in IAM's management

2000

2001

2002

2003

2004

2005

2006

IAM's subsidiary, Aguas Andinas, acquires 100% of Aguas Cordillera and 50% of Aguas Manquehue.

Operation of the El Trebal treatment plant begins. The ANAM and EcoRiles subsidiaries are established.

The subsidiary Aguas Andinas acquires the remaining 50% of Aguas Manquehue.

La Farfana begins operations, the largest sewage treatment plant in Latin America. Aguas Andinas obtains ISO 9000 Certification for customer service.

Aguas Andinas obtains ISO 9001 Certification for billing, returns and collection.

IAM is converted into a publicly traded company. IAM goes public by placing a shareholder stake for 43.4% of its shares. Aguas Andinas obtains OHSAS Certification for health and occupational safety.

The subsidiary Aguas Andinas obtains ISO 9001 Certification for its incorporation of new customers.

2007

2008

2010

2012

2013

2014

2015

2016

The ADR Level I program is implemented to trade IAM shares on the Over the Counter market in the United States. The ISO 9000, ISO 14000 and OHSAS 18000 Certifications are renewed for Aguas Andinas and its treatment facilities.

The subsidiary Aguas Andinas assumes control of Empresa de Servicios Sanitarios de Los Lagos (ESSAL) with a purchase of 53.5% of its shares.

Aguas Andinas launched the Maipo Urban Cleanup project, a bicentennial landmark for the country. IAM earns second place in the Fifteenth Annual Competition of Chilean Companies in 2010, organized by Diario Estrategia and Price Waterhouse Coopers.

The subsidiary Aguas Andinas is awarded "Best Company" by ICARE, one of the most prestigious achievements given in Chile.

The Mapocho Wastewater Treatment Plant begins operations, finalizing the Treatment Plan for the Santiago Basin, achieving 100% service for wastewater in the Metropolitan Region.

The subsidiary Aguas Andinas achieved the best historical rate in the Chilean market for long-term corporate bonds greater than 20 years.

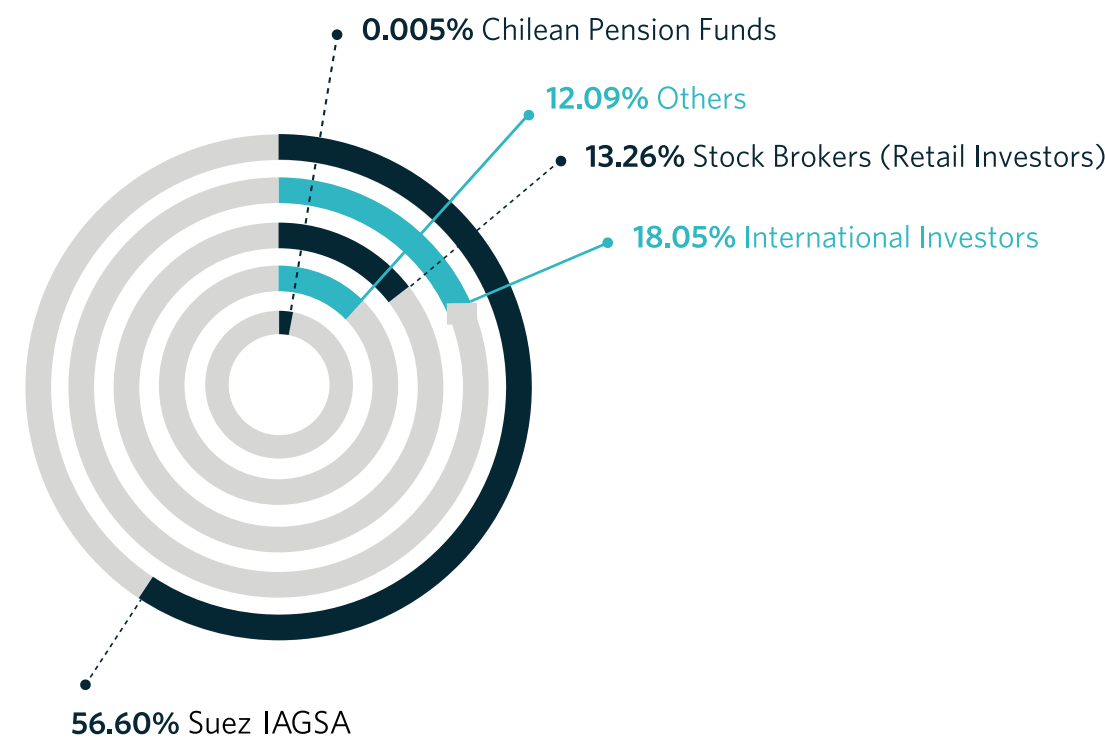
IAM as well as its subsidiary Aguas Andinas were selected to join the Dow Jones Sustainability Index Chile, the first sustainability index of the Santiago Stock Exchange, composed of just 12 companies

The subsidiary Aguas Andinas enhances its corporate strategy in line with its vision of being a leader in sustainability in Chile. For the second consecutive year, IAM and Aguas Andinas were selected to join the Dow Jones Sustainability Index Chile. Aguas Andinas obtained a bronze medal in the PROHumana 2016 Sustainability Ranking. During this year, IAM's ADR program was also finalized.

Company ownership

COMPOSITION OF SHAREHOLDERS 2016

At the end of 2016, the capital stock of Inversiones Aguas Metropolitanas SA was comprised of 1,000,000,000 shares, of a single series, fully subscribed and paid for, distributed among 373 shareholders.



TWELVE LARGES SHAREHOLDERS

As of December 31, 2016, the twelve largest shareholders of Inversiones Aguas Metropolitanas S.A. are as follows:

1,000,000,000 shares, of a single series, make up IAM's share capital as of December 31, 2016.

	Name	Rut	Shares	%
1	Suez Inversiones Aguas Del Gran Santiago Ltda.*	77.329.730-4	566,000,000	56.60%
2	Banco de Chile on behalf of non-resident third parties	97.004.000-5	106,371,729	10.64%
3	Inversiones Tramonto Limitada	76.257.531-0	68,327,293	6.83%
4	Banco Itaú on behalf of foreign investors	97.023.000-9	49,838,081	4.98%
5	LarraínVial Corredora de Bolsa S.A.	80.537.000-9	28,093,875	2.81%
6	Banco Santander on behalf of foreign investors	97.036.000-K	24,201,310	2.42%
7	Banchile Corredora de Bolsa S.A.	96.571.220-8	22,128,117	2.21%
8	BCI Corredora de Bolsa S.A.	96.519.800-8	18,019,128	1.80%
9	Santander Corredores de Bolsa Limitada	96.683.200-2	14,716,759	1.47%
10	Valores Security S.A. Corredores de Bolsa	96.515.580-5	8,370,205	0.84%
11	Asociación de Canalistas Sociedad Canal de Maipo	70.009.410-3	7,638,350	0.76%
12	Euroamérica Corredora de Bolsa S.A.	96.899.230-9	6,147,651	0.62%
	Others (361 shareholders)		80,147,502	8.02%
	Total		1,000,000,000	100%

* Controlling shareholder.

End of the ADR program

The Company's Board of Directors, on June 30, 2015, agreed to terminate the American Depositary Receipts program ("ADRs") signed with Mellon Bank in New York ("the Depositary"), which was informed, through Essential Facts, to the Superintendent of Securities and Insurance, a process that ended in its entirety on August 29, 2016. The Company's Shareholders Registry does not consider shares in the name of New York Mellon Bank.

Controlling partner

Sociedad General de Aguas de Barcelona (SGAB) is IAM's controlling and strategic partner, with ownership of 56.6% of its assets. For its part, IAM owns 50.1% of the shares of Aguas Andinas and its subsidiaries.

With almost 150 years of experience in potable water supply, Sociedad General de Aguas de Barcelona is an international leader in the sanitation industry, with a presence in Spain, Chile, United Kingdom, Mexico, Colombia, Algeria, Peru, Brazil, Cape Verde, France, Portugal, Turkey and the United States. SGAB is adapted to the needs of the companies in which it participates to offer the best service to 25.6 million people daily.

The Suez group, which maintains control of SGAB, is the world leader in water and waste management, with more than 120 years of experience, a presence in some 70 countries and more than 79,000 employees around the world.

In view of the fact that Suez is the controller of SGAB, it is presumed, in the terms of the second paragraph of Article 98 of the Stock Market Law, that there is a joint action agreement between them.



Board of Directors

IAM's Board of Directors is made up of seven named members and seven alternates. The Company's board members serve for three years in their functions, with the possibility of being re-elected at the end of their term.

As of December 31, 2016, members of IAM's Board of Directors are the following:



President
FELIPE LARRAIN ASPILLAGA

Civil Engineer from Pontificia Universidad Católica de Chile. CEO of Aguas Andinas from 2004 to 2011, and President of Aguas Andinas from 2011 to 2016. Board Member of IAM since April 30, 2014. President of IAM since June 29, 2016.



Vice President (Independent Board Member)
ALBERTO MUCHNICK MLYNARZ

Former General Director of HSBC Bank (U.S.). Was Executive Vice President for Latin America for Republic National Bank. Currently Executive President of CGIS Securities, LLC in Miami, United States. Board Member of IAM since April 30, 2014. Business Administration degree from Universidad de Chile.



Board Member
IGNACIO GUERRERO GUTIÉRREZ

Former Vice President of Citibank New York and NMB Bank (now ING Bank). Former partner and Executive Director of CMB CHILE and Vice President of Codelco Chile. Partner and Executive Director of CMB PRIME A.G.F. S.A. Board Member of Enjoy, Empresas Hites and various highway and airport infrastructure companies linked to the Prime Infrastructure Investment Fund. Board Member of IAM since April 30, 2014. Commercial Engineer from Pontificia Universidad Católica de Chile, MBA from Harvard University.



Board Member
PABLO PÉREZ CRUZ

Has been on the board of companies in the energy distribution and industrial sectors. Currently Vice President of Sociedad del Canal de Maipo and President of Eléctrica Puntilla S.A. Board Member of IAM since April 30, 2014. Businessman.



Board Member
JOSEP BAGUÉ PRATS

Current CEO of Suez Water Spain. Was CEO of Aguas Andinas from 2002 to 2004, and General Director and General Secretary of Aguas de Barcelona (Agbar). Board Member of Aguas Andinas S.A. and President of IAM from 2014 to 2016. Economist from Universidad Autónoma de Barcelona, Spain, and studied at IE Business School, Madrid, Spain.



Board Member
XAVIER AMORÓS CORBELLA

Risk Director of Agbar and former Board Member of Aguas Andinas. Board Member of IAM since April 30, 2014. Attorney with a Law Degree from the University of Barcelona, Spain, and a Masters in Construction and Real Estate Management from the Polytechnic University of Madrid, Spain.



Board Member
HERMAN CHADWICK PIÑERA

Attorney with a law degree from Pontificia Universidad Católica de Chile and practices law freely as Principal Partner of of the law firm Chadwick y Cía, Abogados. President of the Chile-Spain Business Council (Sofofa), Vice President of the following companies: Intervial Chile S.A., Ruta del Maipo Soc. Concesionaria S.A., Ruta del Maule Soc. Concesionaria S.A., Bosque Soc. Concesionaria S.A., Ruta de la Araucanía Soc. Concesionaria S.A., and Ruta de los Ríos Soc. Concesionaria S.A. Board Member of Viña Santa Carolina S.A., Elective Councilmember of Sofofa, Councilmember of the Arbitration and Mediation Center of the Santiago Chamber of Commerce (CAM), Councilmember of the Miembro del Academic Advisory Council for Military Studies and Research (CACEIM)., President of the following institutions: Club El Golf 50, Enel Chile S.A., and Zapallar’s Development Council. Board Member of Aguas Andinas, Board Member of IAM since April 30, 2014.

Alternate Board Members

Alternate board member

CARLOS MLADINIC ALONSO

Economist from Universidad de Chile. Has served as Ministerial Secretary General of the Government, Minister of Agriculture, President of the System of Public Companies, Undersecretary of the Economy, General Director of International Economic Relations, CEO of Corporación de Fomento (CORFO), Advisor to Banco Estado and President of Televisión Nacional de Chile. Currently board member of Metro SA, Empresa Nacional Aeronáutica (ENAER) and President of Agroseguros. Board Member of IAM since April 30, 2014.

Alternate board member

JORGE BANDE BRUCK

Was Board Member of Codelco, ENAMI, Aguas Andinas, EC-L, Mejillones and Icare. Was a member of the World Economic Forum’s Metals and Minerals Committee. Currently Board Member of Antofagasta PLC, Antofagasta Minerals S.A., Next Minerals and CESCO. Councilmember of The Sentient Group. Member of the Ministry of Finance’s Committee of Copper Experts. Alternate Board Member of IAM since April 30, 2014. Bachelors and Masters in Economics from American University, with studies in Economics at the Faculty of Political Economics at Universidad de Chile.

Alternate board member (Independent)

RODRIGO CASTRO FERNÁNDEZ

Current Partner and Director of Génesis Partners. Formerly Director of the Corporate Freedom and Development Program and Dean of the Faculty of Economics and Business, Universidad del Desarrollo. Professor at Universidad Adolfo Ibáñez. Board Member of different companies. Consultant to the World Bank and the IDB. Board Member of IAM since April 30, 2014. Commercial Engineer specializing in Economics from Universidad Gabriela Mistral. Master of Arts and PhD in Economics from Georgetown University. Elective courses in Strategy and Finance at Stanford University and at University of California at Berkeley.

Alternate board member

MIGUEL ÁNGEL ZARZA MARCOS

Formerly Economics Director of Sociedad General de Aguas de Barcelona, Economics Director of Aquagest Promoción Financiera de Abastecimientos de Agua, Economics Chief of Sociedad Regional de Abastecimientos de Agua (SOREA) in Gerona. Served as Corporate Manager of Finances and Supply at Aguas Andinas and Director of Economics and Water Supply at La Habana. Currently Director of Planning, Consolidation and Reporting for the Suez Spain Group. Alternate board member of IAM since April 30, 2014. Holds a degree in Business Administration and Management from the Escuela Superior de Administración de Empresas (ESADE), and a Master in Finance (MBA) and Master in International Finance (MBA) from Universidad Politécnica de Madrid, Spain.

Alternate board member (Independent)

GIORGIANNA CÚNEO QUEIROLO

Former Chief of Advertising at Banco de Chile and President of the Winemakers' Association of the Casablanca Valley. Currently Executive Director of Casas del Bosque Winery, the Winegrowers Association of the Casablanca Valley, and Tottus Supermarkets of the Falabella group. Alternate board member of IAM since April 30, 2014. Publicist with a major in Marketing from the University of the Pacific.

Alternate board member

MARCELO TOKMAN RAMOS

Former Presidential Minister of the National Energy Commission and Minister of Energy. Prior to that, was macroeconomics advisor at the Ministry of Finance, researcher at Cieplan, Chief of Research at the Directorate of Budget and General Coordinator of Advisors at Ministry of Finance. Currently CEO of ENAP. Alternate board member of IAM since April 30, 2014. Economist from Pontificia Universidad Católica de Chile, with a Master and Ph. D. from University of California, Berkeley.

Alternate board member

PEDRO BUTTAZZONI ÁLVAREZ

Former Undersecretary of the Economy, Corporate Chief of Copper in London, England, Member of the Advisory Council of the Ministry of the Presidency, Executive Secretary of the Bicentennial Commission, and Director of the Cultural Corporation of the Municipality of Santiago. Has served as a board member and president of companies related to engineering, mining and agribusiness. Alternate board member of IAM since April 30, 2014. Attorney from Universidad de Chile, Master in Economic Development from Williams College, USA.

Administration



CEO
LAUREANO CANO INIESTA
He has extensive experience in the Agbar Group, where he has served as Economic-Financial Manager and Board member for several sanitation companies. Director of Aguas Andinas since April 2016. CEO of IAM since May 2, 2016. Degree in Economics and Business Administration at Pompeu Fabra University de Barcelona.

Note: More information about the Board of Directors and Management in the Corporate Governance section of this report.



OPERATION OF
THE COMPANY

04



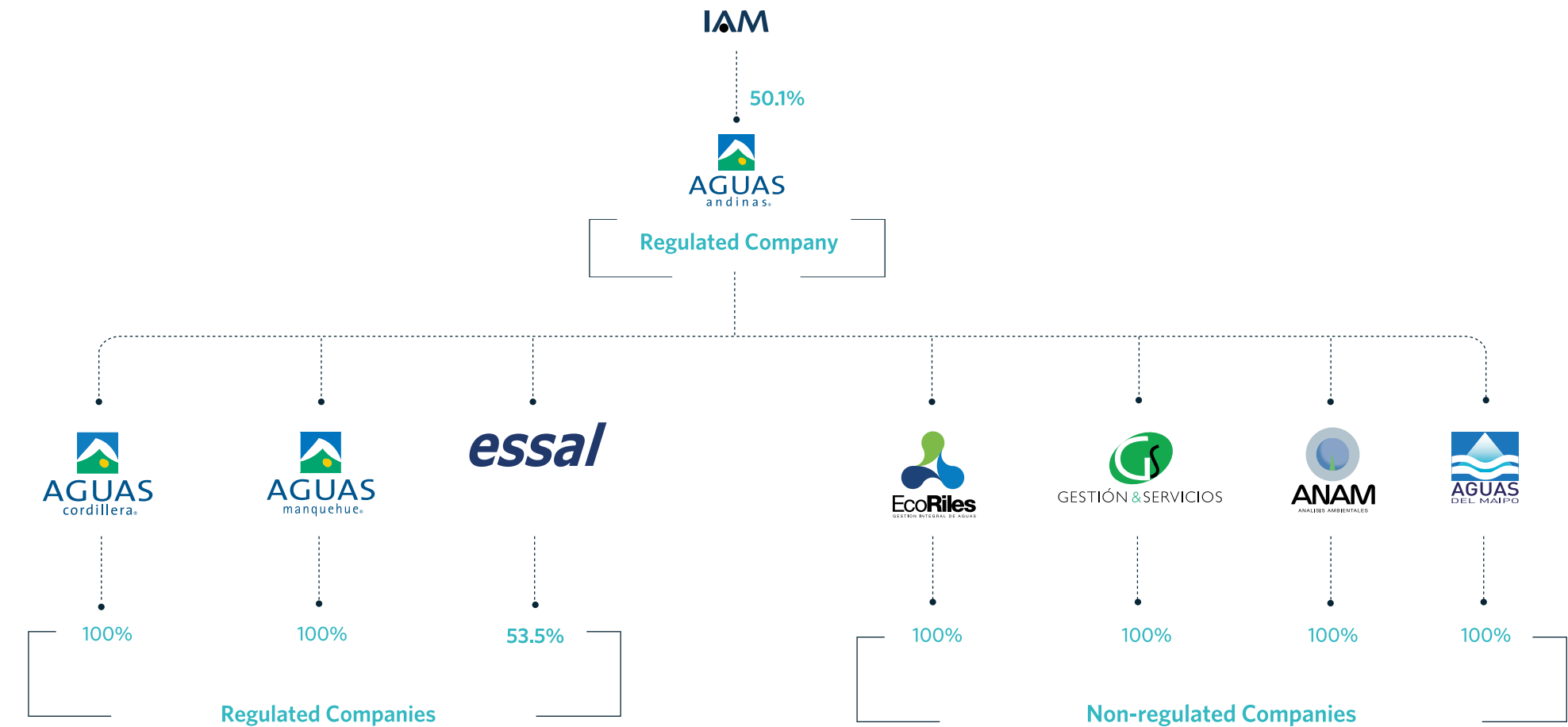
The Company

Inversiones Aguas Metropolitanas, IAM, owns 50.1% of the assets of Aguas Andinas and its subsidiaries, making it Chile's largest sanitation group and one of the largest private companies in Latin America.

Through the operation of its sanitation subsidiaries, IAM provides the services of gathering of raw water; production, transportation and distribution of potable water; and collection, treatment and final disposal of wastewater to a population estimated at more than 8 million inhabitants located in the Metropolitan, Los Lagos and Los Ríos regions.

Its concession areas cover an area of 73,000 hectares in the basin of Santiago, in the middle depression of central Chile, along with 13,000 hectares in the provinces of Valdivia, Ranco, Llanquihue, Chiloé and Palena in the south.

IAM's sanitation subsidiaries carry out a comprehensive operation of the water cycle, with a management based on sustainability, responsibility and efficiency.



IAM'S SANITATION COMPANIES ARE:
Aguas Andinas, Aguas Cordillera, Aguas Manquehue and Essal.
These regulated companies offer high standards for coverage, similar to those achieved in developed countries: 100% supply of potable water, 98% in sewerage and 100% in wastewater treatment.

IAM'S NON-SANITATION COMPANIES ARE:
EcoRiles, Gestión y Servicios, Análisis Ambientales (ANAM) and Aguas del Maipo.
These companies are capable of providing comprehensive management in the sanitation industry through delivery of the following services: industrial waste treatment, sale of equipment, laboratory analysis, and development of energy projects related to sanitation, respectively.

Operations

Through the operation of its sanitation companies IAM offers comprehensive management of the water cycle, a process that includes the capture of raw water; production, transport and distribution of potable water; and collection, treatment and disposal of wastewater.

01. RAW WATER COLLECTION

In the Metropolitan Region, the Company's subsidiaries utilize the Maipo and Mapocho rivers, the region's largest sources of raw water catchment, which are borne in the Andes Mountains. In the south, sources consist of surface deposits along with groundwater supplies. Through its subsidiaries, IAM has legal ownership of the rights to use water from all sources.

In the Santiago basin, the Company maintains significant water reserves that provide water in times of scarcity. The three largest reserves in the Santiago basin are: El Yeso Reservoir, with a capacity of 220 million cubic meters; Laguna Negra with 600 million m³; and Laguna Lo Encañado with 50 million m³. In the concession areas located in southern Chile there is no need for additional reserves, since water sources ensure continuity of supply.

The main sources for raw water capture in the Santiago basin are the Mapocho and Maipo Rivers, which are borne in the Andes Mountains.

02. PRODUCTION OF POTABLE WATER

In Greater Santiago, the Company's main facilities for potable water production are the Las Vizcachas Complex and the La Florida Plant, with design flows of 16 thousand and 4 thousand liters per second, respectively. In the Los Lagos and Los Rios Regions, several plants are maintained which supply the requirements of the 33 localities in this area.

Altogether, IAM's sanitation plants have a total treatment capacity de 38.27 m³ per second: corresponding to 34.37 m³/s for the premises in the Metropolitan Region and 3.9 m³/s for the plants in ESSAL's concession area.

03. TRANSPORT AND DISTRIBUTION OF POTABLE WATER

IAM's sanitation companies utilize tanks to regulate supply and an extensive underground distribution network that provides potable water to customers on an ongoing basis.

Particularly in the concession area in the Metropolitan Region, Aguas Andinas and its subsidiaries maintain about 357 regulation tanks with a capacity exceeding one million two hundred thousand cubic meters, making the system highly autonomous.

The potable water distribution network of IAM's subsidiaries provide 100% coverage for its concession areas in central and southern Chile.

04. WASTEWATER COLLECTION

Through its subsidiaries, IAM has an efficient collection network, which removes wastewater via the sewer system to the treatment plants or final disposal points.

This network offers over 98.4% coverage. In Greater Santiago this evacuation system is designed to operate by gravitational flow, utilizing the location of Santiago, at the foot of the Andes Mountains.

05. TREATMENT AND FINAL DISPOSAL OF WASTEWATER

The wastewater treatment plants allow for the purification of wastewater, leaving it in an optimal condition for being returned to the natural channels, in accordance with the standards required by Chilean law.

In the Santiago basin, the Company's sanitation group operates large facilities: La Farfana and the Trebal-Mapocho Complex. It also owns 10 smaller facilities in different areas within the concession area. Altogether, this infrastructure provides waste water treatment for 100% of the Metropolitan Region's sewage.

In the concession areas in the south of the country, one of IAM's subsidiaries -ESSAL- maintains 28 wastewater treatment plants, with 100% coverage.

In the concession areas covered by IAM's subsidiaries, 100% of the wastewater is purified, which contributes value to the country's competitiveness.

Clients

Through the management of its sanitation subsidiaries, IAM supplies more than 2 million customers - classified as residential, commercial and industrial - equivalent to an estimated population of more than 7.6 million people, which represents a market share at the national level of 43%.

The number of clients and population supplied make IAM's regulated subsidiaries the main sanitation group in Chile and one of the largest in Latin America.

In the Metropolitan Region, the concession area -73,000 hectares - is limited to the north by the Chacabuco Slope and to the south by Angostura de Paine, in the intermediate depression of central Chile.

In the south of the country, the concession area covers more than 13 thousand hectares, concentrated in 33 localities of the provinces of Valdivia and Ranco in the Los Ríos Region; and Osorno, Llanquihue, Chiloé and Palena in the Los Lagos Region.

Potable Water Clients ⁽¹⁾

2016: 2,213,869

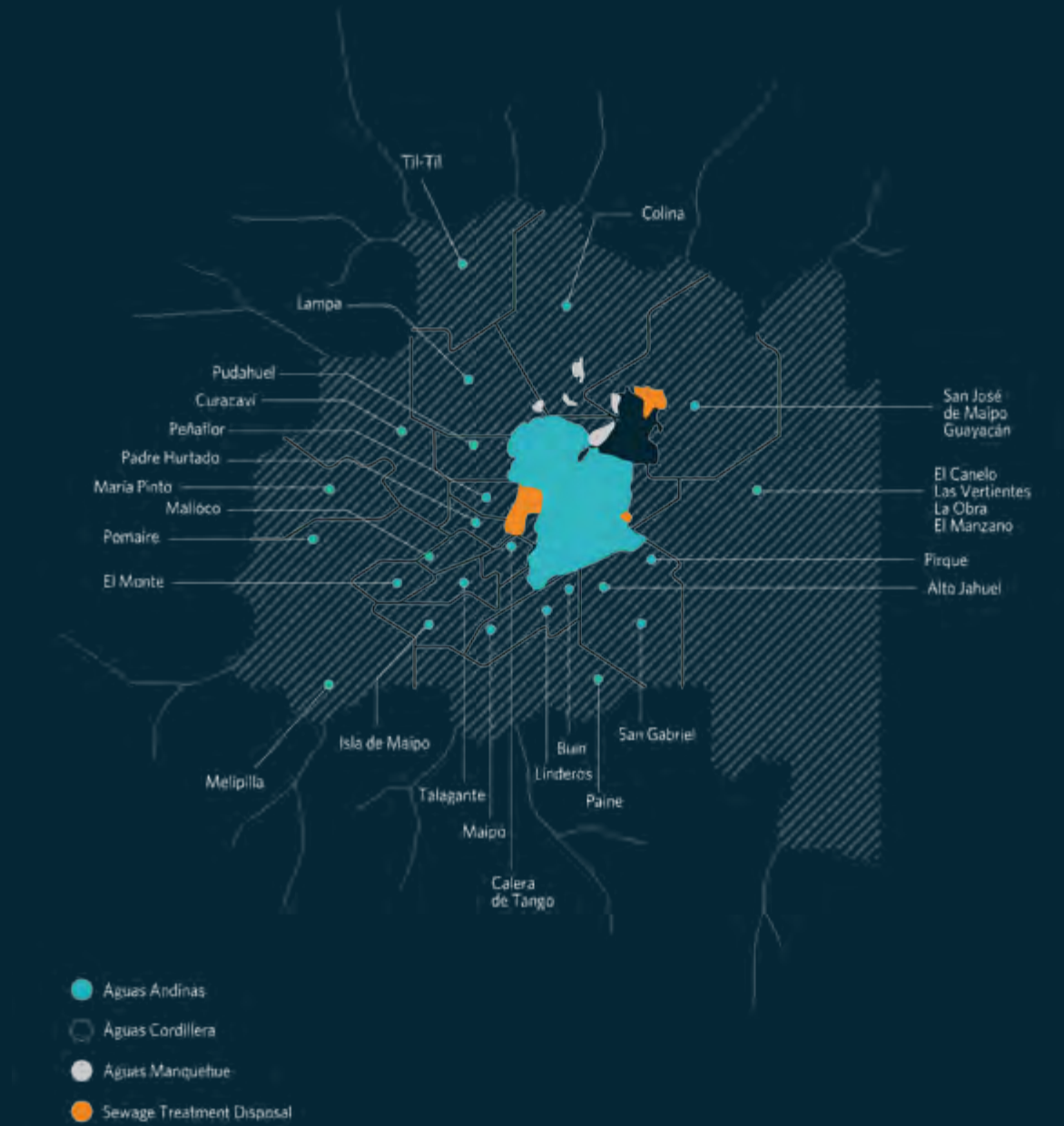
2015: 2,149,673

⁽¹⁾ The term "client" corresponds to the natural or legal person that inhabits and/or resides in the property that receives the public services of potable water, sewage collection or both.



METROPOLITAN REGION

In the Metropolitan Region, the concession area is located in the Santiago watershed, in the intermediate depression of central Chile, bordered on the north by the Chacabuco slope and to the south by Angostura de Paine.



LOS LAGOS AND LOS RÍOS REGIONS

In the south of the country, the concession area belonging to ESSAL includes 33 localities of the provinces of Valdivia and Ranco in the Region of Los Ríos; and Osorno, Llanquihue, Chiloé and Palena in the Los Lagos Region.



Subsidiary companies

As a means of supporting its primary business, IAM has prioritized the development of non-regulated businesses, which are complementary to the sanitation sector.

ECORILES S.A.
Dedicated to the consultancy and integral management of waste and waste water, this subsidiary has consolidated itself as the most important operator of industrial effluent plants in the country, with a market share close to 50%.

During the year, the industrial maintenance line developed projects to optimize the company's operations. During fiscal year 2016, EcoRiles achieved total sales above MMUSD 19.0 per annum.

ANÁLISIS AMBIENTALES S.A. (ANAM)
Laboratory which conducts environmental analysis and sampling of water, soils and sludge, accredited under the Chilean requirements and the requirements of the network of laboratories of Suez Spain. In the exercise, the subsidiary implemented the Laboratory Information Management System (LIMS), which will improve the management of the information generated both in the field and in the laboratory.

In addition it increased considerably its participation in the mining sector, and successfully carried out collective negotiations with its workers favoring the long-term relations with the company.

In terms of results, sales for more than MMUSD 10.5 were achieved in the period.

GESTIÓN Y SERVICIOS S.A.
Markets materials for potable water and sewerage networks, a business line that represents 95% of its revenues. The remaining 5% corresponds to the collector and network cleaning business whose services are required by water utilities and industries in general.

In order to maximize the Company's profits, the subsidiary is studying the incorporation of two new business lines which have to do with electrical conductors and chemical inputs.

AGUAS DEL MAIPO S.A.
Subsidiary in charge of developing energy projects derived from the sanitation business.

Currently, Aguas del Maipo's Methanization Plant is being constructed. This plant will allow for the conversion of the biogas generated in the La Farfana Wastewater Treatment Plan to be transformed into biomethane, a fuel compatible with natural gas, in order for it to be injected into the distribution network.



YEAR
2016





Hand in hand with sustainability

Under the vision of being a leader in sustainability in Chile, the operations of IAM's sanitation companies concentrated their efforts in 2016 on bringing greater robustness and safety to potable water production and collection processes, together with increasing treatment processes capacity. The purpose is to respond to greater demand from inhabitants in the concession areas, ensuring sustainability of the supply.

The Customer Strategy continued to develop, implementing projects aimed at improving the service experience, and granting greater agility and speed to attending clients at all levels and channels. One of its milestones was the creation of the Customer Counsel, which will enhance dialogue with the sanitation subsidiaries' users, acting in an impartial manner in conflict resolution.

During the year a strategic, collaborative and transversal plan was started within the sanitation subsidiaries in the Metropolitan Region, with the goal of contributing to the city and its inhabitants under 7 pillars or lines of work (see next page).

Responsible management of the Company and its subsidiaries was recognized again this year. For the second consecutive year, Aguas Andinas was included in the Dow Jones Sustainability Index of Emerging Markets, which measures the top 10% performers of each industry. Together, both IAM and Aguas Andinas were selected once again to be part of the Dow Jones Index Chile, the sustainability index of the Santiago Stock Exchange.

IAM has a sustainable business model, based on the development of people and using responsibility criteria.

7 Strategic Pillars



1. BUSINESS MODEL

Focus: Economic sustainability. Ensure our activity's margin, seek for new lines of growth that will allow the Company to phase its future investment challenges in a sustainable manner.



2. RESILIENCE

Focus: 100% continuity. Be able to adapt to changing environments and overcome contingencies.



3. DIGITALIZATION

Focus: Agility. Use technology to service interactions between customers and the Company and attain more agile and efficient processes. Industry 4.0.



4. CIRCULAR ECONOMY

Focus: Zero impact. Achieve sustainability for sanitation activities through the use and production of renewable resources and conservation of the environment.



5. SOCIAL LEGITIMACY

Focus: Shared value. Become part of the community, be considered as good neighbors and allies of citizens through the creation of social value.



6. INNOVATION AND PEOPLE

Focus: Value creation and adaptation. Promote innovative environments and boost the well-being of employees and their capacity for change.



7. QUALITY OF LIFE

Focus: Benefits of natural resources. Promote the creation of healthy environments, health habits, improve the quality of life of citizens from our activity and create awareness about natural resources.



Comprehensive water cycle management



01



RAW WATER CATCHMENT

02



POTABLE WATER PRODUCTION

03



POTABLE WATER DISTRIBUTION

04



SEWAGE COLLECTION

05



SEWAGE TREATMENT

06



RESTITUTION TO THE ENVIROMENT

Raw water collection and potable water production

In 2016, IAM’s sanitation companies had a combined annual production of potable water, measured at the exit of the plants, of 809 million m³.

In Greater Santiago, production reached 747 million m³; in the south of the country it reached 62 million m³.

HIGHLIGHTED INVESTMENTS AND PROJECTS IN 2016

With the purpose of granting greater autonomy to the potable water production system, the project known as Water Reservoirs for Human Consumption, Metropolitan Region, or Estanque Pirque, is being carried out. The project is a large reserve of raw water, which includes construction of 6 tanks with a combined

capacity of approximately 1,500,000 cubic meters, which will allow greater availability of water in the event of high turbidity of the Maipo and Mapocho rivers.

The Pirque Tank, which involves an estimated total investment of about \$64 billion pesos, is expected to come online in 2019, allowing the system to be extended from 9 to 32 hours.

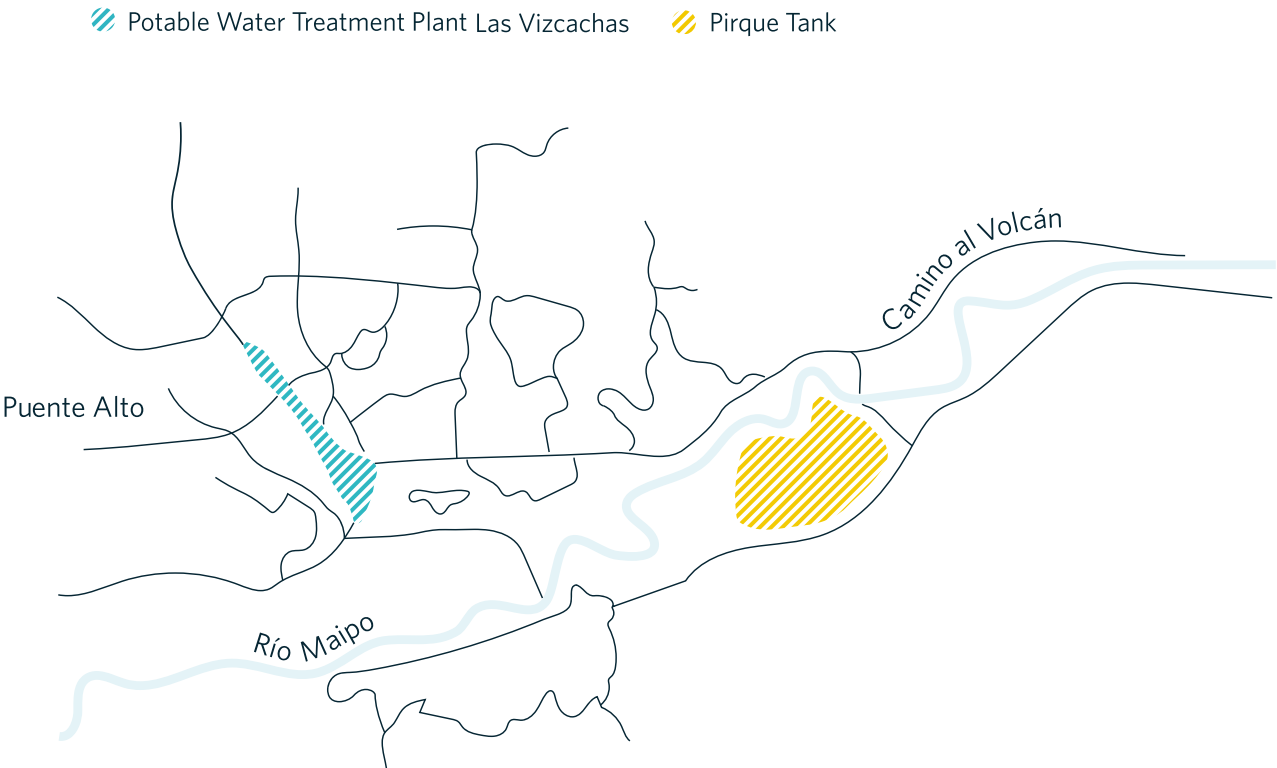
In addition, Aguas Andinas continued to strengthen the capacity and improvement of its production plants in 2016, and began construction of the new Chamisero plant in order to respond to the growing population of the northern part of the Metropolitan Region (Aguas Manquehue).

The Pirque Tank, which involves an estimated total investment of \$64 billion CLP, will increase the autonomy of the system from 9 to 32 hours.

PRODUCTION BY SOURCE TYPE 2012-2016 (MILLION OF M³)

Companies	2012	2013	2014	2015	2016
Aguas Andinas surface water	527.2	527.9	545.2	567.3	556.6
Aguas Andinas groundwater	87.4	89.2	92.5	90.8	89.8
Aguas Cordillera* surface water	68.6	78.8	80.5	82.5	88.9
Aguas Cordillera* groundwater	25.9	19.6	24.9	22.4	11.7
ESSAL surface water	20.4	21.5	19.3	20.6	22.0
ESSAL groundwater	36.5	38.7	39.5	40.3	40.0
Total	766.0	775.5	801.9	823.9	809.0

*Aguas Cordillera includes Aguas Manquehue.



Distribution of potable water

The length of the distribution network of IAM's subsidiaries reached 15,943 kilometers by the end of the 2016 year.

It should be noted that during the period, the network increased by 1.53% compared to the previous year, representing a total growth of 233 kilometers.

HIGHLIGHTED INVESTMENTS AND PROJECTS IN 2016

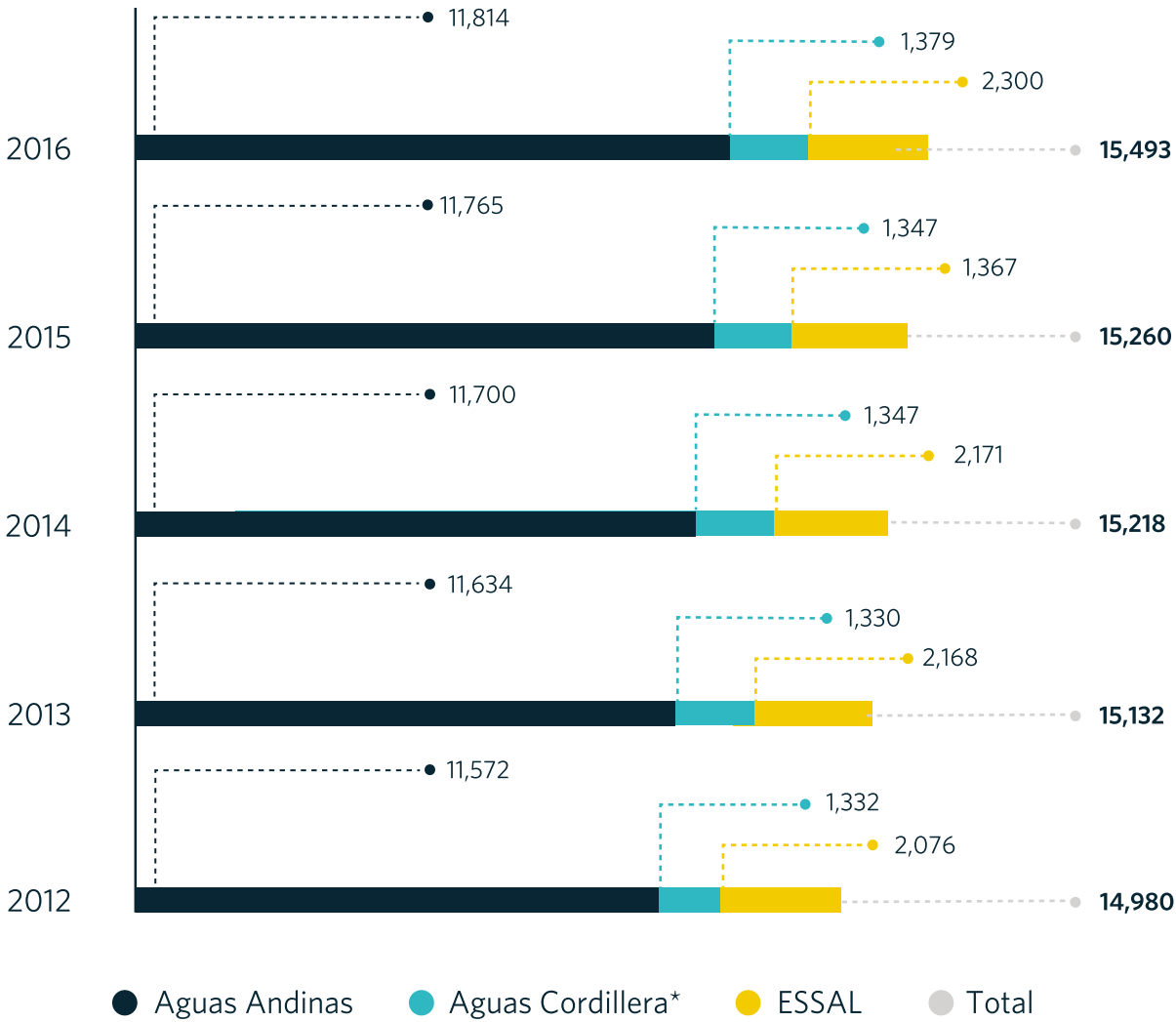
During the year, the Hydraulic Efficiency Plan was continued, which seeks to achieve a technical performance of 80% by 2022, recovering 70 cubic hectometers (hm³) of potable water per year. This is equivalent to a third of the volume of the El Yeso Reservoir.

Thanks to this plan, it is expected to reduce the amount of investments for the coming years, increasing the efficiency and reliability of the system and achieving safer and more sustainable management.

Alongside this, the Network Renewal Plan continued, in order to efficiently manage existing infrastructure.

The Hydraulic Efficiency Plan will allow the recovery of 70 cubic hectometers (hm³) of potable water per year. This is equivalent to a third of the volume of the El Yeso Reservoir.

LENGTH OF DISTRIBUTION NETWORK (2012-2016)



(1) Aguas Cordillera includes Aguas Manquehue.

Nº POTABLE WATER CLIENTS (2012-2016)



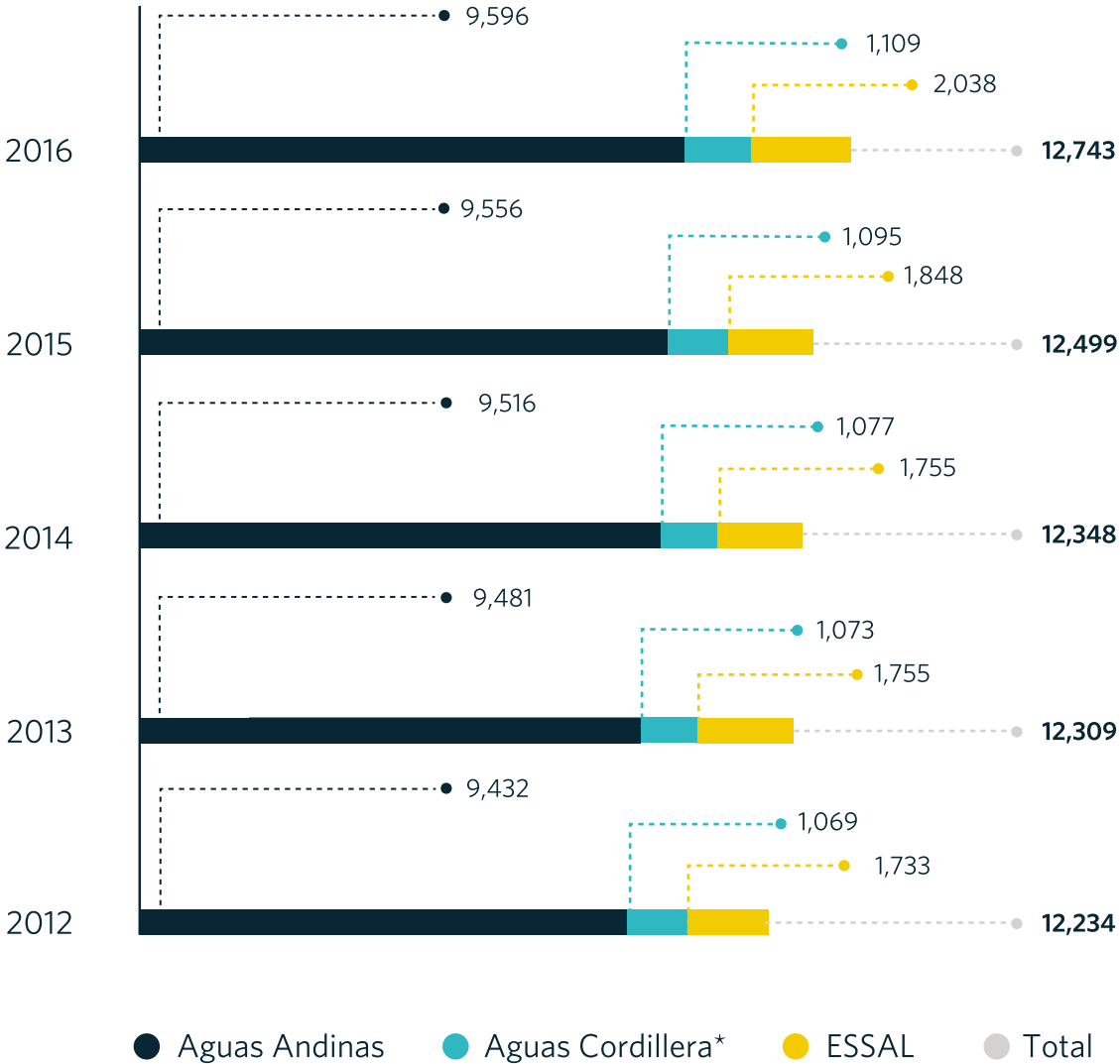
Sewerage

In 2016, IAM's water utilities' sewerage network was 12,743 km long. This was an increase of 1.95% from the previous year representing an increase of 244 km.

Nº SEWERAGE CUSTOMERS (2012-2016)



LENGTH OF SEWERAGE NETWORK (2012-2016)



(1) Aguas Cordillera includes Aguas Manquehue.

12,743 kilometers is the length of IAM's subsidiaries' sewerage network.

Wastewater treatment

In 2016, the total volume of wastewater treated by IAM's sanitation facilities reached 580.7 million m³, which represents 1.56% more than the previous year.

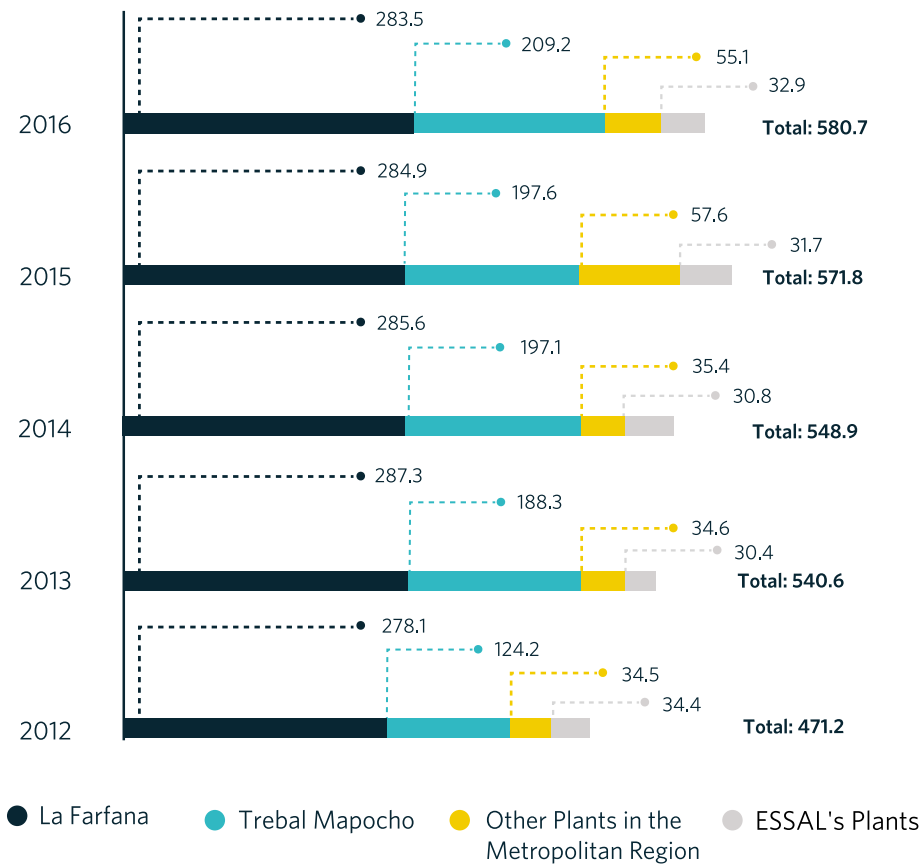
HIGHLIGHTED INVESTMENTS AND PROJECTS IN 2016

The expansion of the fourth stage of the Trebal-Mapocho Plant, which involved a total investment of \$71.815 billion pesos, was completed in the final days of 2016, beginning operations in early 2017.

With this launch, the treatment capacity of the facility was increased by 2.2 m³/s, in order to respond to the growing demand for sanitation among inhabitants of the Santiago basin.

In this line, in the second half of 2016, the Curacaví Sewage Treatment Plant expansion project began, which will increase its capacity by 10 l/s. This investment, which will reach an estimated total value of 2.006 billion pesos, is expected to be operational in the first quarter of 2018.

VOLUME OF WASTEWATER TREATED (2012-2016)



The expansion of the Trebal-Mapocho plant allowed for an increase of 2.2 m³/s in the wastewater treatment capacity of IAM's sanitation companies.





Investments during the year

The investment plan of IAM’s subsidiaries in 2016 amounted to \$112,978 million. Of this total, 99.57% went to the Company's sanitation subsidiaries, while the remaining 0.43% went to non-regulated subsidiaries.

Within the sanitation companies, the primary investment was focused on sewage disposal, with \$42,682 million.

INVESTMENTS (YEARS 2012-2016)

	2012	2013	2014	2015	2016
Aguas Andinas	79,775	68,196	60,091	91,212	80,507
Aguas Cordillera*	4,945	9,200	19,200	17,934	19,710
ESSAL	6,683	8,506	9,044	13,265	12,272
Filiales no sanitarias	904	98	509	4,447	490
Total	92,307	86,000	88,844	126,858	112,978

* Considers Aguas Cordillera and Aguas Manquehue.

\$112.978 billion pesos was the total investment made by IAM's subsidiaries in 2016.

2016 Clients

During the year, customer management for IAM's sanitation companies, mainly Aguas Andinas, continued to focus on improving the customer service experience. It enhanced multichannel options and self-service, as well as agility and speed in responding to customer needs, seeking to strengthen and increase customer satisfaction.

In particular, over the year a new Contact Center was inaugurated, with greater functionality and potential. External collection was consolidated, with more than 5 thousand account payments points, both virtual and in-person. This increased payment alternatives and achieved greater efficiency in the collection process, in addition to allowing better attention at commercial agencies. The Company also worked on the development of a new virtual agency platform, which will allow online transactions and a real estate portal to facilitate procedures related to new connections. Both projects will be incorporated into the new Aguas Andinas website, which will be operational in the second quarter of 2017.

Improving the service experience with agility and speed of care was one of the year's highlights.

NUMBER OF CLIENTS IN 2016

At the end of the 2016 year, IAM's sanitation subsidiaries total number of potable water clients of reached 2,213,869, 2.99% more than the previous year. Sewerage customers reached 2,160,473, increasing 3.06% compared to 2015.

Of the potable water customers, 7.6% corresponded to customers receiving subsidies, which favors a stable payment behavior and a lower level of bill delinquency for the Company's sanitation companies.

2,213,869 is the total number of potable water customers of IAM's sanitation subsidiaries.

2,213,869

potable water customers

Employees

During the year, IAM’s subsidiaries continued to enhance talent, with an intense training plan that impacted all sanitation company employees, allowing them to improve their work performance and employability. During the year, 74% of the Group's staff received training.

At the end of 2016, the total size of IAM’s work force reached 2,033 employees.

2,033 is the number of people working at IAM and its subsidiaries.

IAM'S WORKFORCE IN 2016

Strata	IAM S.A.	Aguas Andinas S.A.	Aguas Cordillera S. A.*	Aguas Manquehue S.A.*	ESSAL S.A.	Others	Total
Managers and Senior Executives	2	65	6	0	6	8	87
Professional and technical employees	1	722	64	7	202	265	1,261
Other employees	1	315	39	7	165	158	685
Total	4	1,102	109	14	373	431	2,033

* Aguas Cordillera and Aguas Manquehue share managers and senior executives.



Safety indeces

The safety indeces of IAM's subsidiaries are the lowest in the local sanitation industry, and in the entire country generally, reaching the same level as the most developed countries.

These low rates demonstrate IAM's concern for the safety and well-being of its workers.

SAFETY INDEXES IAM SUBSIDIARIES 2016

Companies	Number of accidents with time lost					Number of days lost due to accidents with time lost					Incidence Rate ⁽¹⁾					Days lost due to accidents per worker ⁽²⁾				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Aguas Andinas S.A.	20	15	12	10	12	290	143	139	500	299	1.98	1.47	1.14	0.94	1.10	28.70	13.97	13.20	47.00	27.40
Aguas Cordillera S.A.	4	5	1	1	0	13	199	223	4	0	3.02	3.89	0.81	0.86	0.00	9.82	154.81	18.10	3.40	0.00
Aguas Manquehue S.A.	0	0	2	0	0	0	0	36	0	0	0.00	0.00	10.53	0.00	0.00	0.00	0.00	189.50	0.00	0.00
ESSAL	2	4	1	5	1	18	59	45	107	358	0.67	1.34	0.34	1.56	0.28	6.00	19.75	15.20	33.30	98.70
Total	26	24	16	16	13	321	401	443	611	657	1.77	1.63	1.07	1.05	0.82	21.94	27.27	29.71	45.10	41.67

⁽¹⁾ Incidence Rate: (Number of accidents during the period/average number of workers)*100
⁽²⁾ Days lost due to accidents pero worker: (Number of days lost/average number of workers)*100

Enviroment

In recent years, the Company has deepened integration of sustainability in all processes in an effective and transversal way. The subsidiary Aguas Andinas has introduced circular economy as the axis of its operations, understood as the use and production of renewable resources and preservation of the environment through actions that allow reducing, reusing and recycling resources.

In concrete terms, this commitment is reflected in initiatives like the following: beneficial use of bio solids produced in treatment facilities, which are used as fertilizers in agricultural soils; use of biogas, also obtained from the sanitation process as fuel in cogeneration engines or bio digesters; and others.

At the same time, in line with the zero waste concept, in 2016 Aguas Andinas initiated a pilot project for the use of electric cars, which consume an amount of electrical energy equivalent to that produced in the wastewater treatment processes of the sanitation company, a project that also moves towards energy self-sufficiency.

Likewise, the Energy Efficiency Plan was continued at Aguas Andinas, which aims to reduce operational costs, reduce the Carbon Footprint and promote the inclusion of renewable energy technologies.

Preservation of the environment is a permanent commitment in the management of IAM’s subsidiaries, which pursue sustainable growth in each of their operations.



**FINANCIAL
MANAGEMENT**



Responsible and coherent management

Among the investment and financing actions taken in 2016, a key element was the operation carried out in January by the subsidiary Aguas Andinas. The Company successfully issued two bond series: a short series, Series Z, for 1,000,000 UF and a long series, Series AA, for 2,000,000 UF. This allowed the Company to capture resources for financing the annual investment plan and, at the same time, refinance financial liabilities.

Over the year, IAM's responsible and coherent financial behavior, together with confidence in the sustainable management of its operations, allowed it to be recognized once again by being included in the Dow Jones Index Chile, the sustainability index of the Santiago Stock Exchange, which Aguas Andinas also entered for the second year. In addition, in 2016 the subsidiary was also selected to be part of the Dow Jones Sustainability Index Emerging Markets, which measures the top 10% performers of each industry globally.

Regarding the volume of share transactions, the Santiago Stock Exchange reported that the IAM shares will remain in the IPSA stock index in 2017, with a weighting of 1.02%. For its part, Aguas Andinas (Aguas - A) will also continue to be part of this index, with a weighting of 2.45%.

Finally, in terms of risks, Fitch and ICR confirmed Aguas Andinas' risk classification as AA+, while Fitch Ratings improved ESSAL's risk rating from AA to AA+. In this way, both subsidiaries have one of the best classifications assigned to private companies in Chile. With regards to IAM, Feller Rate and Fitch ratified its AA+ rating.

IAM oversaw important investment and financing operations over the course of 2016, successfully capturing opportunities presented in the financial market.





Investments and financing

In 2016, IAM's total investment through its subsidiaries reached \$113 billion, were mainly destined to expansion works in its sanitation operations (55.43%) in order to comply with the long term development plan that these companies have committed to with the regulator. The remaining resources corresponded mainly to the replacement of operational and technological assets.

In relation to financing, Aguas Andinas carried out two successful bond issuances in January 2016: Series Z for UF 1,000,000, at a placement rate of 2.15%; and Series AA for UF 2,000,000, at a rate of 3.29%.

\$112,978 million pesos is IAM's total investment in its subsidiaries in 2016.

Risk factors

OPERATIONAL RISKS

Seasonality

The sanitation business is characterized by its seasonality, which can cause possible variations in results from quarter to quarter. The highest levels of demand and income are recorded during the summer months (December to March in the southern hemisphere), while the lowest demand coincides with the winter months (June to September).

Climatic conditions

The processes of potable water capture and production depend mainly on the climatic conditions displayed in the hydrological basins. Rainfall, temperature, movement of sediment, drought, and other factors determine the quantity, quality and continuity of available raw water. In order to address these phenomena, IAM's sanitation companies have water reserves and contingency plans, which are constantly updated.

New investments

The Company's subsidiaries must comply with the development plans committed to the Superintendent of Sanitation Services (SISS), which involve economic, administrative and technical resources. However, the

fees charged to customers incorporate these new investments, guaranteeing a minimum profitability. In addition, the experience of the parent entity ensures the necessary know how to successfully and efficiently carry out these investment plans.

State regulation

In regulatory terms, the Chilean sanitation industry is highly regulated by the State, due to its monopoly status, exposing the sector to possible modifications to established standards. The current legislation regulates exploitation of the concession areas and the tariffs charged to customers, which are determined every 5 years. The tariff fixing mechanism is done using technical criteria, which can produce differences between the studies presented by the sanitation companies and the SISS. If they do not reach an agreement, the differences are resolved by a committee of experts made up of representatives of each of the parties.

The current tariff period of the Aguas Andinas, Aguas Cordillera and Aguas Manquehue subsidiaries, which run from 2015 to 2020, include, among other things:

- Additional charges once construction investments begin operations, such as the production safety works for extreme turbidity situations (+1.1% in

- 2019), and nitrogen treatment works near the La Farfana and Trebal-Mapocho (+1.4% in 2018).
- Discounted rates for non-regulated businesses, such as when the Alto Maipo Project starts operating of -1.2% in 2018 (estimated).

- ESSAL's tariffs, corresponding to the sixth tariff fixing process, were determined in 2016 and will be in force until 2021. The agreement establishes the following:
- Rates are maintained in real terms.
 - Additional fees for when the safety works currently under construction begin operations, such as security tanks, generators and support equipment, +1.5% by the end of 2017.

In December 2016, the Chamber of Deputies approved the Project of Law Bulletin N° 10795-33 which modifies the legislation which applies to public sanitation services in regards to non-regulated services, the tariff-setting process and the fulfillment of development plans by service providers. This initiative has been submitted to the Senate in its second legislative instance.

The project of law includes six articles through which it seeks to modify the norms which are stipulated in the following legislations:

- General Law on Sanitation Services (DFL MOP N° 382 of 1989).
- Law on Sanitation Services Tariffs (DFL MOP N° 70 of 1988).
- Law N° 18.902, which created the Superintendence of Sanitation Services.

FINANCIAL RISKS

Inflation

The Company's revenues are directly correlated with inflation, so its debt is mainly issued in Unidades de Fomento (UF).

Interest rate

Financial liabilities are equivalent to 88.54% of fixed rate debt, consisting of approximately 65.72% of short and long-term bonds, and 22.82% of repayable financial contributions. The remaining 11.46% is at variable rates and corresponds to credits with domestic banks.

Inversiones Aguas Metropolitanas S.A. presents a favorable situation in terms of risk, mainly due to the sanitation sector's solidity and stability.

Main suppliers

As of December 31, 2016, IAM's main suppliers on an individual basis are the following:

- Orión Seguros Generales S.A.
- Oddó y Compañía ⁽¹⁾
- Asesores en Viaje S.A.
- Universal Packing and Storage S.A.
- Exequiel Honorio Ojeda Contreras
- Automotora Bilbao S.A.
- Ernst & Young Servicios Profesionales
- Diseño y Arquitectura Oxígeno 02 Ltda.
- Bolsa de Comercio de Santiago.
- Investis Inc.
- Overseas Services Spa.
- El Mercurio S.A.P.
- Fyrma Gráfica Ltda.
- Porzio Ríos Asociados Limitada.

⁽¹⁾ IAM's Board of Directors' Secretary (partner).

Shared value and joint development are some of the premises pursued by the relationship between IAM and its suppliers.



Dividend policy

IAM’s bylaws define its dividend policy, which is to distribute 30% of the net distributable profits for the year, unless the shareholders otherwise agree to distribute a smaller percentage.

However, if the sum of dividends or capital distributions received in cash by IAM from its subsidiary Aguas Andinas S.A. over the year, less operational and non-operating expenses and provisions carried out during the year, is an amount exceeding the indicated 30% according to applicable accounting standards, IAM must distribute that surplus as an additional dividend. The distribution must take place within 60 days following the respective Ordinary Shareholders' Meeting, up to the total amount of annual distributable net earnings, unless at the respective meeting, and with the agreement of two-thirds of the shares issued with voting rights, the shareholders agree to distribute a smaller amount, which in no case can be less than the 30% already mentioned.

\$63.2833 was the amount paid per share during 2016.

DIVIDENDS PAID BY SHARE (FIGURES EXPRESSED IN CURRENCY OF THE PAYMENT DATE)

\$ per share	2012	2013	2014	2015	2016
Book value	583,788	580,912	577,63	580,626	589,683
Earnings	59.98	57.65	58.71	63.283	74.289
Dividends paid	55.67417 ⁽¹⁾	42.214899 ⁽²⁾	57.6478 ⁽³⁾	58.7104 ⁽⁴⁾	63.2833 ⁽⁵⁾

⁽¹⁾ Includes two items: A dividend of \$37.909769 per share –corresponding to 2011 profit sharing, paid on May 25, 2012-; and an interim dividend of \$17.7644 per share, charged to 2012 profits, paid on November 15 of the same year.

⁽²⁾ Includes one item: a dividend of \$42.214899 per share, corresponding to 2012 profit sharing, paid on May 24, 2013.

⁽³⁾ Includes two items: an interim dividend of \$18.5379 per share, charged to 2013 profits, paid on January 17 2014 and a final dividend of \$39.1099 corresponding to 2013 profit sharing, paid on May 29, 2014.

⁽⁴⁾ Includes two items: an interim dividend of \$19.4674 per share, charged to 2014 profits, paid on January 16 2015 and a final dividend of \$39.2433 corresponding to 2014 profit sharing, paid on May 29, 2015.

⁽⁵⁾ Includes two items: an interim dividend of \$20.324 per share, charged to 2015 profits, paid on January 18 2016 and a final dividend of \$42.9593 per share corresponding to 2015 profit sharing, paid on May 27 2016.

DISTRIBUTABLE PROFITS 2016

	Th\$
Net income for the year 2016	74,289,195
Reserve for future dividends	54
Provisional dividends based on 2016 earnings	(21,035,300)
Remaining distributable earnings	53,253,949
% of dividends distributed over distributable earnings	28.32%

SUMMARY OF DISTRIBUTIONS TO SHAREHOLDERS

Type	Year	Closing date	Payment date	Amount per share
Interim Dividend	2005	21-09-05	27-09-05	\$10.97
Final Dividend	2005	23-05-06	29-05-06	\$5.97
Capital Distribution	-	08-06-06	15-06-06	\$33.61
Interim Dividend	2006	21-10-06	27-10-06	\$14.13
Final Dividend	2006	16-05-07	23-05-07	\$8.85
Capital Distribution	-	19-07-07	25-07-07	\$19.51
Interim Dividend	2007	19-10-07	25-10-07	\$14.53
Final Dividend	2007	23-05-08	29-05-08	\$9.74
Capital Distribution	-	19-06-08	25-06-08	\$23.24
Interim Dividend	2008	25-10-08	03-11-08	\$15.30
Final Dividend	2008	18-06-09	24-06-09	\$12.91
Capital Distribution	-	19-06-09	25-06-09	\$24.22
Interim Dividend	2009	19-11-09	25-11-09	\$16.00
Final Dividend	2009	13-05-10	19-05-10	\$44.68
Interim Dividend	2010	18-11-10	24-11-10	\$16.34
Final Dividend	2010	18-05-11	25-05-11	\$34.66
Interim Dividend	2011	19-11-11	25-11-11	\$17.02
Final Dividend	2011	18-05-12	25-05-12	\$37.91
Interim Dividend	2012	09-11-12	15-11-12	\$17.76
Final Dividend	2012	17-05-13	24-05-13	\$42.21
Interim Dividend	2013	11-01-14	17-01-14	\$18.54
Final Dividend	2013	23-05-14	29-05-14	\$39.11
Interim Dividend	2014	10-01-15	16-01-15	\$19.48
Final Dividend	2014	23-05-15	29-05-15	\$39.24
Interim Dividend	2015	12-01-16	18-01-16	\$20.32
Final Dividend	2015	20-05-16	27-05-16	\$42.96



Share transactions

On December 31, 2016, the capital stock of Inversiones Aguas Metropolitanas S.A. was composed of 1,000,000,000 shares, fully subscribed and paid.

SHARE TRANSACTIONS MADE BY MAJORITY SHAREHOLDERS AND RELATED PERSONS

During the year, transactions of shares were carried out by related persons, which had the character of financial investment.

Name / Business Name	Transaction Date	Date of Communication of Transaction to the SVS	Type of Transaction	Sale	Purchase	Price Per Unit (\$)	Amount (\$)	Observations
Inversiones y Asesorías El Maestro	19/12/2016	20/12/2016	E	49,079	-	1,158	56,830,008	Sebastian Oddó is the secretary of IAM's Board of Directors
Inversiones y Asesorías El Maestro	19/12/2016	20/12/2016	E	592	-	1,158.09	685,595	Sebastian Oddó is the secretary of IAM's Board of Directors



SHARE TRANSACTIONS IN THE SECONDARY MARKET

SANTIAGO STOCK EXCHANGE

2016	Average price (\$)	Units	Amount (\$)	Stock market presence
Total 1 st quarter	1,037.44	8,364,459	8,677,853,601	99.44%
Total 2 nd quarter	1,053.09	10,742,810	11,312,797,485	99.44%
Total 3 rd quarter	1,178.03	6,455,799	7,604,993,375	100.00%
Total 4 th quarter	1,079.40	12,262,055	13,243,248,931	100.00%
Year 2016	1,086.99	37,825,123	40,838,893,392	

ELECTRONIC STOCK EXCHANGE

2016	Average price (\$)	Units	Amount (\$)	Stock market presence
Total 1 st quarter	1,014.93	1,567,237	1,590,641,569	99.44%
Total 2 nd quarter	1,045.00	1,169,060	1,247,854,736	99.44%
Total 3 rd quarter	1,180.00	1,079,567	1,257,644,995	100.00%
Total 4 th quarter	1,010.00	5,588,108	6,419,629,647	100.00%
Year 2016	1,062.48	9,403,972	10,515,770,947	

STOCK BROKERS - STOCK EXCHANGE

2016	Average price (\$)	Units	Amount (\$)	Stock market presence
Total 1 st quarter	1,049.001	17,653	18,518,009	2.78%
Total 2 nd quarter	1,071.529	4,467	4,786,520	2.78%
Total 3 rd quarter	0	0	0	2.78%
Total 4 th quarter	1,015.000	470	477,050	2.78%
Year 2016	1,045.176	22,590	23,781,579	

CORPORATE GOVERNANCE



The Board of Directors

It is the main corporate governance body of the company, for which it establishes the strategic guidelines and supervises the Company’s administration.

IAM’s Board of Directors is made up of 7 named members, each of whom is elected along with their respective alternate, who may replace them definitively in case of vacancy, and temporarily in case of absence or temporary impediment. All members are elected at the Shareholders Meeting in consideration of their competencies and suitability for the position.

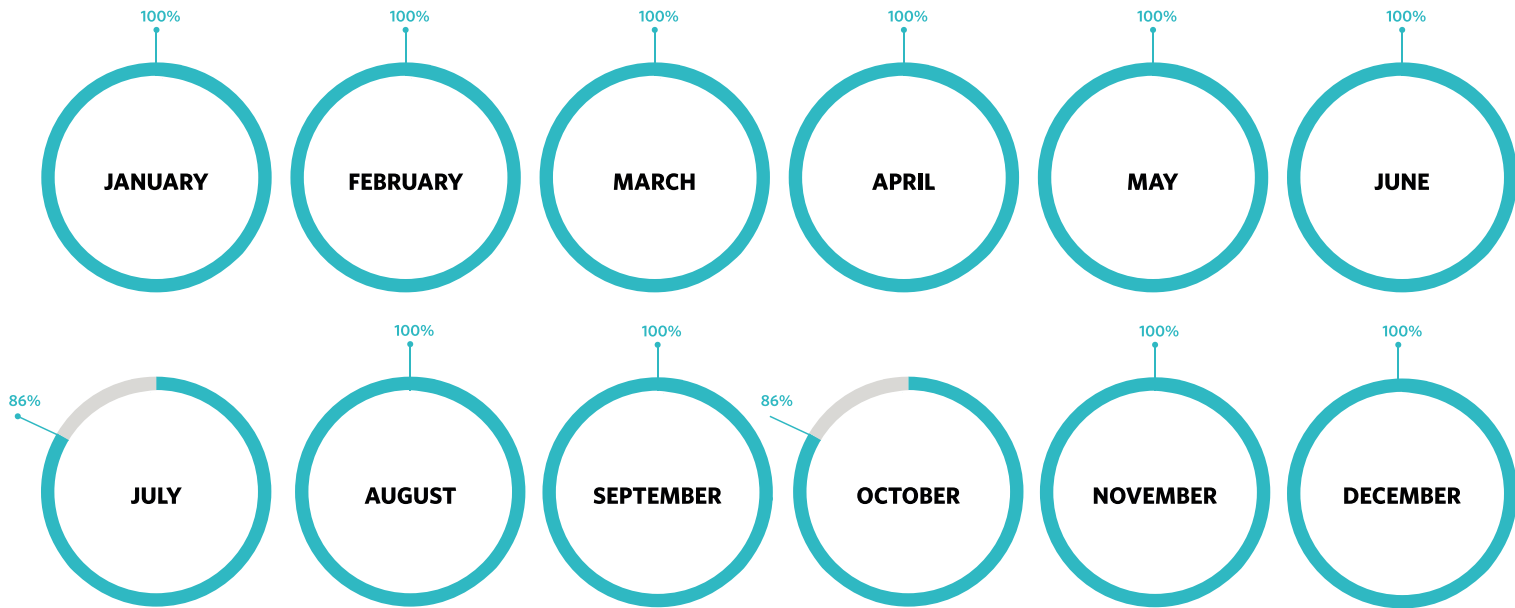
Following their election, each board member undergoes an induction process about the company, its business, risks, policies and procedures, main accounting criteria and legal framework. In addition, they have the necessary means to receive external advice for the proper performance of their duties, should they require it.

Board members carry out their functions for three years. At the end of that period, the Board as a whole must be renewed. Notwithstanding the foregoing, the Board may be revoked in its entirety before the expiration of its term in office by resolution at the Ordinary or Extraordinary Shareholders Meeting, in which case the same meeting shall elect the new Board of Directors. Consequently, individual or collective revocation of one or more board members is not allowed.

Board members may be re-elected indefinitely and may be shareholders of the company.

FUNCTIONING OF THE BOARD OF DIRECTORS
The Board of Directors meets in ordinary and extraordinary sessions. The former are carried out on the dates predetermined by the same Board and there is, at least, one meeting per month. The latter meetings are celebrated when they are scheduled by the President on its own or by indication of one or more board members, pending a determination of the President as to the necessity of the meeting, unless it is requested by an absolute majority of board members. In any event, quorum for the Board of Directors to meet is an absolute majority of its members. Resolutions are adopted with a favorable vote of the absolute majority of the board members in attendance, except agreements for which, per the bylaws of Inversiones Aguas Metropolitanas S.A., Chilean law and its regulations, or other special provisions, require a higher majority.

ATTENDANCE TO BOARD OF DIRECTORS MEETINGS DURING 2016



Current Board of Directors

The current Board of Directors was elected at the Ordinary Shareholders' Meeting held on April 30, 2014 and will serve for a term of three years.

IAM'S BOARD OF DIRECTORS

Role	Name	Profession	Last renewal	First election to board
President	Felipe Larrain Aspillaga	Civil Engineer	4/30/2014	4/30/2014
Vicepresident (Independent)	Alberto Muchnick Mlynarz	Commercial Engineer	4/30/2014	4/21/2010
Named Director	Herman Chadwick Piñera	Attorney	4/30/2014	4/27/2006
Named Director	Miguel Ignacio Guerrero Gutierrez	Commercial Engineer	4/30/2014	4/27/2006
Named Director	Pablo Jose Pérez Cruz	Empresario	4/30/2014	4/21/2010
Named Director	Josep Bagué Prats	Economist	4/30/2014	4/27/2006
Named Director	Xavier Amorós Corbella	Attorney	4/30/2014	4/30/2014
Alternate Director	Pedro Butazzoni Alvarez	Attorney	4/30/2014	4/21/2010
Alternate Director	Jorge Arturo Bande Bruck	Economist	4/30/2014	4/21/2010
Alternate Director	Carlos Mladinic Alonso	Commercial Engineer	4/30/2014	4/30/2014
Alternate Director (Independent)	Giorgianna Cúneo Queirolo	Publicist	4/30/2014	4/30/2014
Alternate Director	Rodrigo Castro Fernández	Economist	4/30/2014	4/27/2006
Alternate Director	Marcelo Tokman Ramos	Commercial Engineer	4/30/2014	4/21/2010
Alternate Director	Miguel Angel Zarza Marcos	Economist	4/30/2014	4/30/2014

BOARD MEMBER PARTICIPATION IN THE OWNERSHIP OF THE COMPANY

Name	RUT	Shares	%
Giorgianna María Cúneo Queirolo	9.667.948-3	534,747	0.05%
Inversiones Tramonto Limitada (Giorgianna María Cúneo Queirolo)	76.257.531-0	68,327,293	6.83%

Composition and diversity of the Board of Directors

NUMBER OF MEMBERS

7

NAMED MEMBERS

NUMBER OF PEOPLE BY GENDER AND NATIONALITY

13

MALE

1

FEMALE

NUMBER OF PEOPLE BY AGE RANGE

0

UNDER 30

0

BETWEEN 30 AND 40

NUMBER OF PEOPLE BY SENIORITY

0

UNDER 3 YEARS

7

ALTERNATE MEMBERS

11

CHILEAN

3

FOREIGNERS

4

BETWEEN 41-50

3

BETWEEN 51-60

9

3 TO 6 YEARS

3

YEARS OF ROLE DURATION

5

BETWEEN 61 AND 70

2

OLDER THAN 70

5

6 TO 9 YEARS

Directors' Committee

In accordance with the provisions of article 50(a) of Law N° 18,046 on Corporations, IAM maintains a Directors' Committee.

Currently, IAM's Board of Directors is composed of the independent board member, Alberto Muchnick, and board members Ignacio Guerrero and Xavier Amorós. The latter two were appointed by the independent board member. The Committee is chaired by Alberto Muchnick, and the attorney Mr. Sebastián Oddó acts as secretary.

MAIN FUNCTIONS AND POWERS

The Board of Directors has the following powers and duties:

- Examine the external auditors' reports, balance sheet, and other financial statements, and pronounce on them prior to their presentation to the shareholders.
- Propose names to the Board of Directors for external auditors and private risk classifiers.
- Examine information dealing with operations referred to in Title XVI and issue a report on those operations.
- Examine compensation systems and compensation plans for managers, senior executives and employees of the Company.
- Prepare an annual report on its management, which includes its main recommendations to shareholders.

COMPOSITION

According to Chilean law, the Directors' Committee must be composed of three members, the majority of whom must be independent. It should be noted that the Chairman of the Board of Directors cannot be part of the committee or its subcommittees, unless they are an Independent Board Member.

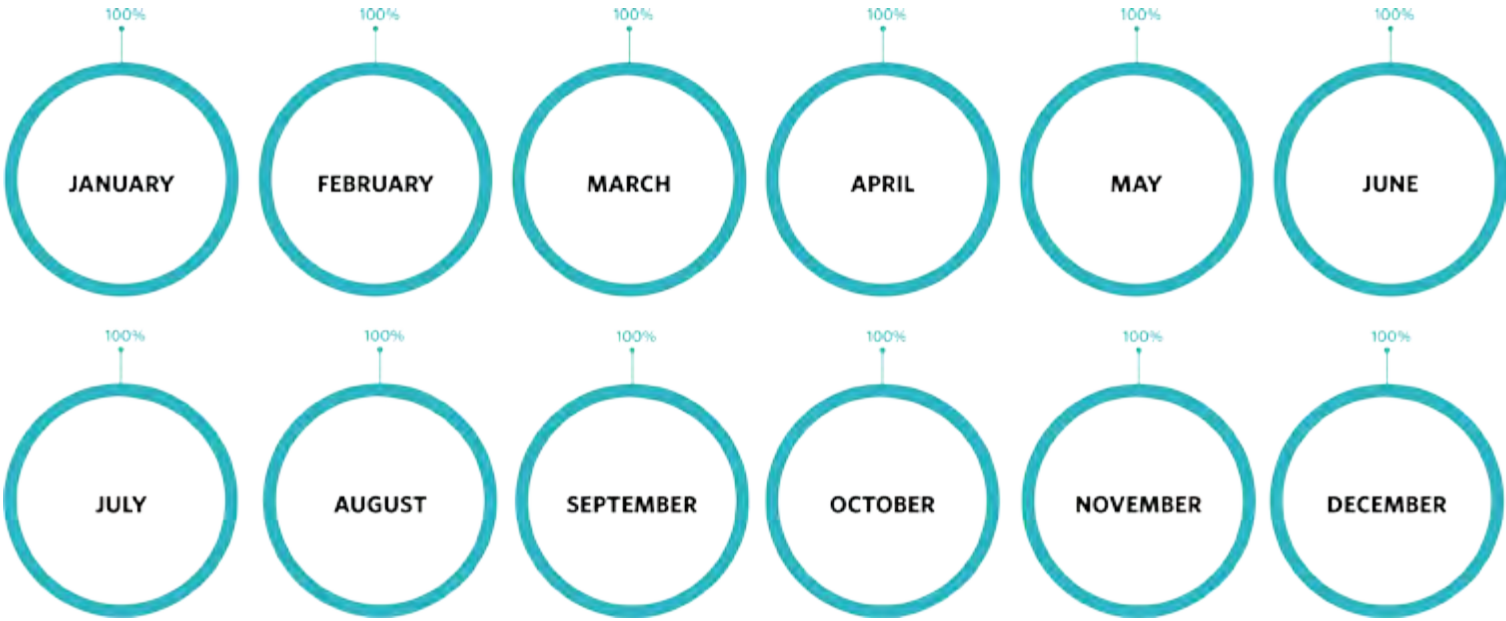
FUNCTIONING

Pursuant to Law 18,046 and the internal regulations of the Directors' Committee, it shall hold regular meetings once a month and extraordinary meetings whenever required, in order to deal with the matters entrusted to it by article 50(a) of Law 18,046 on Corporations. The minimum quorum for meeting is two members.

AGREEMENTS

In accordance with the law, the deliberations, agreements and organization of the Directors' Committee shall be governed by the rules relating to the meetings of the Company's Board of Directors. The Committee shall communicate to the Board the manner in which it shall request information, as well as its agreements.

ATTENDANCE TO DIRECTORS' COMMITTEE MEETINGS DURING 2016



2016 report of the Directors' Committee

In compliance with the provisions of article 50(a), eighth paragraph, of Law 18,046 on Corporations, this report informs on activities carried out by the Committee for the year ending December 31, 2016, as well as the expenses it incurred, including those of its advisors.

I. COMPOSITION OF THE COMMITTEE

The Directors' Committee of Inversiones Aguas Metropolitanas S.A. was composed of Independent Board Member of the parent company, Alberto Muchnick, and Mr. Ignacio Guerrero and Mr. Xavier Amorós, who were appointed by the Independent Board Member.

The Committee is presided over by Mr. Alberto Muchnick, with Mr. Sebastian Oddó acting as Secretary.

Since its establishment, the Committee has held regular meetings once a month to deal with the matters entrusted to it by article 50(a) of Law 18,046 and other matters of general interest to the Company.

II. MAIN ACTIVITIES DURING THE YEAR

The main activities carried out by the Committee during the 2016 financial year were as follows:

1. Review of the external auditors' reports, balance sheet and other financial statements of Inversiones Aguas Metropolitanas S.A. for the year ending December 31, 2015.
2. Proposal of external auditors and risk classifiers for 2016 to the Board of Directors.

3. Review of the external auditors' reports, balance sheet, and other financial statements of Inversiones Aguas Metropolitanas S.A., prepared quarterly.
4. Follow-up on the 2015 internal control letter, and revision of the external auditors' internal control letter issued in December 2016.
5. Review of the external auditing plan for the 2016 financial year.
6. Review of the Aguas Group's 2016 investment plan.
7. Review of the reports from the Risk Classifiers of the Company and its subsidiaries.
8. Review of information regarding the sale of the Isla Lo Mata property owned by Aguas Cordillera S.A.
9. Review of the Aguas Group's financing structure for the 2017 year.
10. Review of information regarding distribution of profits.
11. Examination of information regarding distribution of the Company's interim dividend.
12. Review of the background for leasing new offices to the affiliated company, Suez Concesiones Chile S.A.

III. BUDGET AND EXPENSES OF THE DIRECTORS' COMMITTEE

At the Ordinary Shareholders' Meeting, held in April 2016, an annual budget was set for the Director's Committee of 2,000 Unidades de Fomento (UFs), which was not used during this fiscal year.

Compensation of the Board of Directors and Administration

COMPENSATION OF THE BOARD OF DIRECTORS AND THE DIRECTORS COMMITTEE

Pursuant to Law N° 18,046, the Ordinary Shareholders’ Meeting, held on April 28, 2016, resolved to compensate the Board of Directors, the Directors’ Committee and its expense budget for 2016.

Compensation of the Board of Directors is divided into two types: a monthly fixed amount of 100 UF for the President, 80 UF for the Vice President and 60 UF for named board members and alternates; and a variable type which is paid per attendance at each session, ranging from 140 UF for the President, 100 UF for the Vice President, 60 UF for named directors and 60 UF for alternate directors, when they replace the former.

In 2015, IAM's Board of Directors incurred expenses for ThCh \$ 13,048.

Compensation for the Directors Committee for 2016 was as follows: a fixed monthly compensation of 25 UF and a variable remuneration for attendance at each session of 25 UF for named directors and substitutes, only when the latter replace the former. In addition, an expense budget of 2,000 UF was agreed to.

The detail of the amounts paid is presented (in thousands of pesos):

BOARD OF DIRECTORS COMPENSATION (THOUSANDS OF PESOS)

Director	Role	Board of Directors				Directors' Committee	
		Fixed		Variable			
		2015	2016	2015	2016	2015	2016
Felipe Larrain Aspillaga	President	18,043	25,056	18,043	31,356	0	0
Alberto Muchnick Mlynarz	Vice-President	24,057	25,009	27,616	31,261	14,422	15,630
Herman Chadwick Piñera	Named Director	18,043	18,757	18,043	18,757	0	0
Pablo Pérez Cruz	Named Director	18,043	18,757	18,043	14,086	0	0
Ignacio Guerrero Gutiérrez	Named Director	18,043	18,757	18,043	15,607	15,036	14,318
Marcelo Tockman Ramos	Alternate Director	18,043	18,757	12,002	7,807	12,519	11,068
Pedro Butazzoni Álvarez	Alternate Director	18,043	18,757	0	0	0	0
Rodrigo Castro Fernández	Alternate Director	18,043	18,757	0	3,149	7,518	9,127
Jorge Bande Bruck	Alternate Director	18,043	18,757	1,536	3,128	0	0
Giorgianna Cúneo Queirolo	Alternate Director	18,043	18,757	1,473	0	7,518	7,815
Carlos Alonso Mladinic	Alternate Director	18,043	18,757	0	0	0	0
Total		204,487	218,878	114,799	125,151	57,013	57,958

Note: The Directors' Committee did not incur expenses during the 2016 financial year.

Remuneration for Senior Executives

As of December 31, 2016, the list of IAM's senior managers and executives was composed of 2 professionals.

At the individual level, total remuneration for IAM over the year was \$394 million, 8% less than the previous year. Of this amount, \$345 million corresponded to fixed remuneration and \$49 million to variable remuneration.

During 2016, \$10 million pesos were paid as compensation for years of service.

GENDER WAGE GAP

Given that Inversiones Aguas Metropolitanas at an individual level only has four staff which have different strata, it is not possible to calculate the Company's gender wage gap. However, we are presenting IAM's gender wage gap at a consolidated level with all of its subsidiaries.

IAM'S 2016 KEY EXECUTIVES							
		Fixed MM\$		Variable (MM\$)		Total (MM\$)	
Detalle		2015	2016	2015	2016	2015	2016
Remuneration of Senior Executives		384	345	44	49	428	394
PRINCIPALES EJECUTIVOS DE IAM 2016							
Nº	Rut	Name	Profession	Role		Incorporation Date	
1	25.374.056-6	Laureano Cano Iniesta	Economist	CEO		09-05-16	
2	10.696.150-6	Patricio Andrés Acuña Solorza	Commercial Engineer and Accountant	Deputy-Manager of Accounting and Consolidation		01-09-06	
GENDER WAGE GAP							
Average gross base salary by strata							
Strata		Ratio of female remuneration versus male remuneration			Percentage difference between female and male remuneration		
Executives		85%			-15%		
Managers		90%			-10%		
Professionals		82%			-18%		
Technicians		84%			-16%		
Administrative Staff		114%			14%		
Operators		116%			16%		
Total		96%			-4%		

Composition and diversity

DIVERSITY IN GENERAL MANAGEMENT

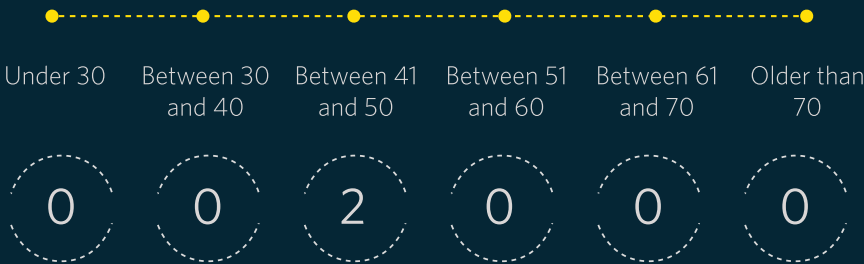
Nº PEOPLE BY GENDER



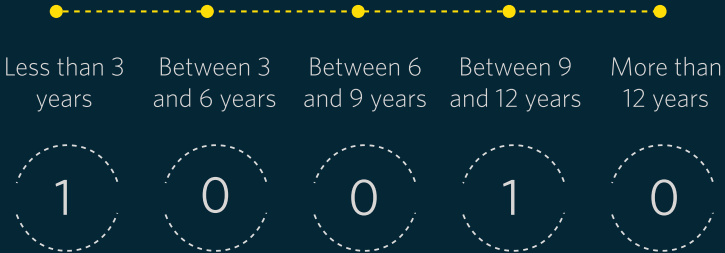
Nº PEOPLE BY NATIONALITY



Nº PEOPLE BY AGE



Nº PEOPLE BY SENIORITY



DIVERSITY IN THE ORGANIZATION

Nº PEOPLE BY GENDER



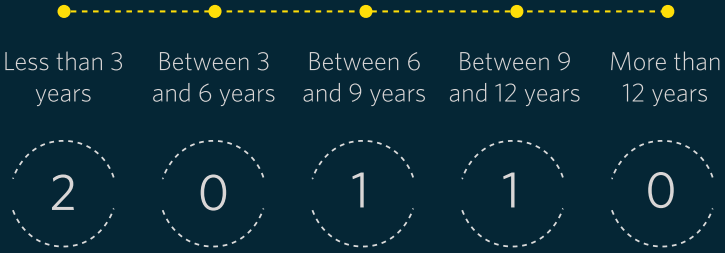
Nº PEOPLE BY NATIONALITY



Nº PEOPLE BY AGE



Nº PEOPLE BY SENIORITY



Other instances of Corporate Governance

CODE OF ETHICS

IAM has a Code of Ethics, which contains the following fundamental principles of the Company: compliance with laws and regulations, establishing a culture of integrity, showing loyalty and honesty, and respecting all people. These principles should be applied to shareholders, customers, competitors, the local community and the environment.

For more information on the Code of Ethics, please visit www.iam.cl

CODE OF CONDUCT

In the framework of the implementation of corporate governance standards, IAM has a Code of Conduct applicable to the Company's board members regarding situations of conflict of interest they may face.

This code contains, among others:

- Identification of the main situations that constitute a conflict of interest.
- Mechanisms to avoid conflicts of interest.
- Procedures for declaring conflicts of interest.
- How to resolve conflicts of interest.

In addition, the code refers to situations that, despite not being mentioned specifically in the law, could end up affecting the corporate interest if they were resolved poorly.

CRIME PREVENTION MODEL

IAM has a Crime Prevention Model, certified in 2014, which allows for accrediting fulfillment of the company's duties of supervision and management.

This model establishes rules, protocols and procedures as crime prevention measures, which every person within the Company must respect, including suppliers and contractors. For greater control, the Board appointed a person in charge of ensuring compliance with the model, called the Crime Prevention Officer.

DISSEMINATION OF INFORMATION ON CORPORATE GOVERNANCE PRACTICES (NCG N° 385)

In December 2015 IAM's Board of Directors approved a series of policies, procedures and protocols within the framework of NCG N° 385, which were included in the document entitled "Compendium of Policies and Procedures for Corporate Governance", informing the Superintendent of Securities and Insurance on March 31, 2016, that these are in force at the Company. This compendium is published on IAM's website.

UPDATING BOARD OF DIRECTORS' KNOWLEDGE

In consideration of the importance of good Corporate Governance for the Company, a number of best practices have been implemented in this area. Among them, it is worth mentioning the carrying out of a process of updating knowledge in 2016 for Board members in matters relevant to its management. To this end, Alberto Etchegaray, President of the Corporate Governance

Center of the Universidad Adolfo Ibáñez, presented a presentation in September on different models and trends in corporate governance, both in Chile and in abroad; on board member duties, such as care, confidentiality, loyalty, diligence and information; and in addition on national and international jurisprudence on the matter. Also, at the October meeting, Mauricio Larrain, lawyer who possesses a Masters in Economics from Universidad Católica de Chile and a Master of Law degree from Harvard University, conducted a presentation regarding the advancements and paradigms which are constantly evolving in matters such as diversity, inclusion, and sustainability; the key tools in risk management, and the best practices that improve the effectiveness of boards.

COPORATE GOVERNANCE EVALUATION

The Company's Board agreed to have a formal procedure for continous improvement in order to detect and implement eventual improvements in its organization and functioning. This includes the advice of an external expert with no ties to the organization in order to detect and implement these eventual improvements or strengthening of areas. This will be done bi-annually.

Following with this, during 2016, the members of the Board conducted an auto-evaluation process which had the advisory of Tomate Consultores and its partner Sergio Guzmán.

VISITS TO FACILITIES

It is worth noting that during 2016 the Company's Board of Directors visited several facilities such as the La Florida and Las Vizcachas Potable Water Plants and the Mapocho-Trebal Waste-water Treatment Plant.

ANTICORRUPTION POLICY

The IAM's Code of Ethics recognizes integrity as one of the basic principles of its corporate ethics culture, rejecting corruption in all its forms. The company maintains that fairness, integrity and impartiality must preside over relationships between workers, managers and representatives, as well as relationships generated with all those who are directly or indirectly related to IAM, whether natural or physical persons or come from the public or private sector.

In this context, IAM's Anti-Corruption Policy, approved by the Board of Directors in May 2016, is intended to specify these principles and serve as a guide for the actions of IAM's personnel, orienting them towards what the company expects and demands from their behavior when dealing with public servants and in general with third parties, including suppliers and the Company's own employees.

INVESTOR RELATIONS

IAM's Investors Relation department is responsible for managing relationships and providing timely information to investors and shareholders of the Company, on the Company's website www.iam.cl.

In order to deliver information in a continuously updated manner, the Company's website is maintained which includes tools for financial analysis, corporate presentations, as well as news and related events.

The division holds ongoing individual meetings and conference calls with local and international institutional investors, and participates in local and international conferences.



Material information

1. MARCH 30, 2016.

The Board of Directors, in its ordinary session celebrated on March 30 2016, unanimously agreed to call for a General Shareholders Meeting for April 28, at 10:00 am at Avda. Presidente Balmaceda 1398, Tenth Floor, Santiago.

It was proposed to distribute 100% of the profits for the year, in line with the Company's current dividend policy, which will mean a dividend of \$ 42.9593 per share, payable on May 27, 2016, if approved by the shareholders' meeting.

2. APRIL 28, 2016

In the Board's ordinary sesión on this date, Mr. Cosme Sagnier Guimón presented his resignation as CEO of the Company as of May 2nd 2016 as he undertook other responsibilities within the Agbar Group.

In the same session, the Board unanimously agreed to designate Mr. Laureano Cano as CEO and he asumed his functions on May 2nd.

Mr. Cano has a degree in Economic and Business Sciences from Universidad Pompeu Fabra in Barcelona. He has vast experience in the Agbar Group where he has worked as Economic-Finance Director of diverse utility companies.

3. JUNE 29, 2016,

In the Board's ordinary session on this date, Mr. Josep Bagué Prats presented his resignation as President of the Board of Directors of the Company maintaining his role as named director. This has been decided taking into consideration the new functions he undertook within the Suez Group.

In this same session, the Board of Directors designated Mr. Felipe Larrain Aspillaga as the new President of Inversiones Aguas Metropolitanas. He took office in the same session.

4. AUGUST 31 2016

That pursuant to the agreement of the Company's Board of Directors on June 30, 2015, which was timely informed through Material Information, the American Depositary Receipts ("ADRs") program entered into with the Bank of New York Mellon ("The Depositary") was finalized.

On August 29, the Custodian Bank (Santander Bank) informed the Company that the ADR program is finally closed and registers no movements. The Company's Shareholder Registry does not include shares registered under Bank of New York Mellon.

As of this the Company no longer has the obligation to send the quarterly reports required by Law N°1375 to this Superintendence. This was also informed through the Company's 2016 Annual Report.

5. NOVEMBER 29, 2016

The Board of Directors, in its ordinary session celebrated on this same date, unanimously agreed to distribute CLP \$21,035,300,000, in account of the earnings from 2016, as an interim dividend.

Due to this, the 27th interim dividend amounted to CLP \$21.0353 per share and was distributed from the 23rd of January 2017.

GENERAL
INFORMATION



Company information

Name:
Inversiones Aguas Metropolitanas S.A.

Legal address:
Av. Apoquindo N°4800, Torre II, 20th floor, Las Condes, Chile

Chilean ID:
77.274.820-5

Phone:
(56-2) 2739 6600

Purpose:
Investment in shares of the corporation called Aguas Andinas S.A. Chile; and providing all kinds of advice, consultancy and services related to technology transfer and know-how, technical assistance, and business and project management, especially those related to the management and operation of businesses related to sanitation.

Inscription in the Securities Registry:
N° 0912, dated August 19th, 2005.

STOCK MARKET INFORMATION
Stock market code
Unique series: IAM

SHAREHOLDER INFORMATION
Depósito Central de Valores

Address:
Huérfanos 770, 22nd floor, Santiago, Chile.

Phone:
(56-2) 2393 9003

Fax:
(56-2) 2393 9101

COMPANY OFFICES
Address:
Av. Apoquindo N°4800, Torre II, 20th floor, Las Condes, Chile

Phone:
(56-2) 2739 6600

Email:
inversionista@aguasmetropolitanas.cl

LEGAL ESTABLISHMENT OF THE COMPANY
The company was established as a publicly traded company by public deed on May 19, 1999, granted by the Santiago Notary of Mr. Juan Ricardo San Martín Urrejola. An extract was inscribed in pages 11,226, N° 9,027, in the Real Estate Conservatory Registry of Santiago in 1999, and was published in the Official Gazette on May 22nd, 1999.

The company bylaws have been subject to several modifications, notably the bylaw reforms set forth by public deed dated July 15, 2005, granted in the Santiago Notary of Mr. Iván Torrealba Acevedo, through which the partners agreed, in compliance with Articles 96 et al of Law N° 18,046 on Corporations, to change the nature or business form of the company, converting it into a publicly traded corporation, that is the successor of its legal status.

An extract of this modification was inscribed in pages 25,668, N° 18,587, of the Real Estate Conservatory Registry of Santiago of 2005, and was published in the Official Gazette on July 25, 2005.

Sanitation regulation

The Chilean sanitation sector is regulated by a set of laws and regulations. The primary sources of legislation are:

- **General Law on Sanitation Services (DFL MOP N° 382 de 1988).** Contains the main provisions that regulate the regime of concessions and activity of sanitation service providers.
- **Regulation of the General Law on Sanitation Services (DS MOP N° 1199/2004, published November 2005).** Establishes the regulatory rules to implement the General Law on Sanitation Services (replacing DS MOP N° 121 from 1991).
- **Law on Sanitation Services Tariffs (DFL MOP N° 70 of 1988).** Establishes the main provisions governing the establishment of tariffs for potable water and sewage and reimbursable financing contributions.
- **Regulation of the Law on Tariffs for Sanitation Services (DS MINECON N° 453 of 1990).** Contains the regulatory rules to implement the Law on Sanitation Services Tariffs, including the methodology for calculating tariffs and the administrative proceedings.
- **Law creating the Superintendent of Sanitation Services (Law N° 18,902 of 1990).** Establish the functions of this service.
- **Subsidies Law for the payment of potable water and sewage service (Law N° 18,778 of 1989).** Establishes a subsidy for the payment of the consumption of potable water and sewerage.
- **Regulation of the Subsidies Law (DS HACIENDA N° 195 of 1998).** Contains the regulations for the application of the Subsidies Law.
- **DS MOP N° 214/05, Regulation of Article 67 of the General Law of Sanitation Services.** Establishes the requirements for public bidding processes, which are obligatory for sanitation providers.



Declaration of responsibility

The Board Members of Inversiones Aguas Metropolitanas S.A. and the CEO, signatories of this declaration, are responsible under oath as to the veracity of the information provided in this Annual Report, in conformity with the provisions of General Rules N° 30 of the Superintendent of Securities and Insurance.



Felipe Larrain Aspillaga
Tax ID: 6.922.002-9
President



Alberto Muchnick Mlynarz
Tax ID: 6.447.493-6
Vice-President




Herman Chadwick Piñera
Tax ID: 4.975.992-4
Director



Ignacio Guerrero Gutierrez
Tax ID: 5.546.791-9
Director



Pablo Pérez Cruz
Tax ID: 6.441.732-0
Director



Xavier Amorós Corbella
Tax ID: 23.530.463-5
Director



Jorge Bande Bruck
Tax ID: 5.899.738-2
Alternate Director



Laureano Cano Iniesta
Tax ID: 25.374.056-6
CEO



**FINANCIAL
STATEMENTS**



Independent Auditor's Report

(Translation of the report originally issued in Spanish)

SHAREHOLDERS AND DIRECTORS INVERSIONES AGUAS METROPOLITANAS S.A.

We have audited the accompanying consolidated financial statements of Inversiones Aguas Metropolitanas S.A., and its subsidiaries (“the Company”), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in shareholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility


Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inversiones Aguas Metropolitanas S.A., and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.



Gastón Villarroel O.

EY Audit SpA

Santiago, March. 29, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and December 31, 2015
(Thousands of pesos - Th\$)

ASSETS	NOTE	31-12-2016 TH\$	31-12-2015 TH\$
CURRENT ASSETS			
Cash and cash equivalents	7	66,122,006	34,191,142
Other non-financial assets		338,315	1,718,146
Commercial debt and other receivables	8	106,303,061	99,973,313
Accounts receivable from related parties	9	1,275,867	5,224,620
Inventories	10	3,309,945	3,643,700
Tax assets		5,986,263	5,127,725
Total current assets other than assets or groups of assets for disposal classified as held for sale or as held for distribution to owners		183,335,457	149,878,646
TOTAL CURRENT ASSETS		183,335,457	149,878,646
NON-CURRENT ASSETS			
Other financial assets	8	7,792,445	7,559,679
Other nonfinancial assets		886,496	816,605
Receivables	8	2,082,334	2,184,457
Intangible assets other than goodwill	11	227,951,484	230,527,689
Goodwill	12	307,581,431	307,581,431
Property, plants and equipment	13	1,294,600,803	1,248,153,912
Deferred tax assets	23	20,231,924	17,111,377
TOTAL NON-CURRENT ASSETS		1,861,126,917	1,813,935,150
TOTAL ASSETS		2,044,462,374	1,963,813,796

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL SITUATION STATEMENTS

For the years 2016 and 2015 ending December 31st
(Thousands of Chilean pesos - Th\$)

EQUITY AND LIABILITIES	NOTE	31-12-2016 TH\$	31-12-2015 TH\$
CURRENT LIABILITIES			
Other financial liabilities	8	43,629,749	75,672,328
Trade debts and other accounts payable	8	112,312,020	102,090,474
Accounts payable to related entities	9	28,193,771	35,347,689
Other provisions	15	2,628,225	547,288
Tax liabilities		2,861,544	293,260
Provisions for employee benefits	19	5,419,742	5,533,104
Other non-financial liabilities		17,305,010	13,872,102
Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale		212,350,061	233,356,245
TOTAL CURRENT LIABILITIES		212,350,061	233,356,245
NON-CURRENT LIABILITIES			
Other financial liabilities	8	808,003,406	722,132,796
Other accounts payable	8	949,408	1,829,986
Other provisions	15	1,277,574	1,239,995
Deferred tax liabilities	23	38,419,238	40,606,589
Provisions for employee benefits	19	16,032,827	13,957,804
Other non-financial liabilities		8,592,004	7,703,198
TOTAL NON-CURRENT LIABILITIES		873,274,457	787,470,368
TOTAL LIABILITIES		1,085,624,518	1,020,826,613
EQUITY			
Issued capital	3	468,358,402	468,358,402
Accumulated earnings	3	158,593,033	149,536,359
Other equity interests	3	-37,268,417	-37,268,417
Equity attributable to owners of the controller		589,683,018	580,626,344
Non-controlling interests	4	369,154,838	362,360,839
TOTAL EQUITY		958,837,856	942,987,183
TOTAL EQUITY AND LIABILITIES		2,044,462,374	1,963,813,796

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS BY NATURE

For the years 2016 and 2015 ending December 31st
(Thousands of Chilean pesos - Th\$)

INCOME STATEMENT BY NATURE	NOTE	31-12-2016 TH\$	31-12-2015 TH\$
Revenue from ordinary activities	17	491,998,470	473,397,244
Raw materials and consumables used		-33,442,759	-37,354,184
Expenses for employee benefits	19	-54,058,843	-51,156,651
Depreciation and amortization	11-13	-67,016,783	-68,402,537
Other expenses by nature	21	-114,145,942	-103,445,790
Other (losses) gains	5	14,594,087	-42,660
Financial income	5	6,511,222	6,630,989
Financial costs	5	-27,118,382	-27,909,203
Exchange differences	20	-20,578	-15,262
Earnings for indexed units		-20,161,469	-26,524,973
Earnings before tax		197,139,023	165,176,973
Expenses for income taxes	23	-43,454,302	-33,845,906
Earnings from continuing operations		153,684,721	131,331,067
Earnings		153,684,721	131,331,067
Earnings attributable to			
Earnings attributable to owners of the parent company		74,289,195	63,283,308
Earnings attributable to non-controlling interests	4	79,395,526	68,047,759
Earnings		153,684,721	131,331,067
Earnings per share			
Basic earnings per share from continuing operations	24	74,289	63,283
BASIC EARNINGS PER SHARE		74,289	63,283

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE EARNINGS	NOTE	31-12-2016 TH\$	31-12-2015 TH\$
EARNINGS		153,684,721	131,331,067
OTHER COMPREHENSIVE RESULT			
Actuarial earnings (losses) on defined benefit plans	19	58,684	-1,985,359
Other comprehensive result that will not be reclassified to the yearly result, before taxes		58,684	-1,985,359
Income taxes related to defined benefit plans		-15,844	528,916
Income taxes related to components of other comprehensive Earnings that will not be reclassified to the yearly result		-15,844	528,916
ALL OTHER COMPREHENSIVE RESULT			
		42,840	-1,456,443
TOTAL COMPREHENSIVE RESULT			
		153,727,561	129,874,624
Comprehensive result attributable to			
Comprehensive result attributable to owners of the controllers		74,302,732	61,826,865
Comprehensive result attributable to non-controller participations		79,424,829	68,047,759
Total comprehensive result		153,727,561	129,874,624

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF DIRECT CASH FLOWS

For the years 2016 and 2015 ending December 31st
(Thousands of Chilean pesos - Th\$)

STATEMENT OF DIRECT CASH FLOWS	NOTE	31-12-2016 TH\$	31-12-2015 TH\$
Classes of proceeds by operating activities		578,118,250	553,801,282
Proceeds from sales of goods and services		575,262,293	551,289,818
Proceeds from insurance claims, annuities, and other benefits of subscribed policies		609,395	344,676
Other proceeds from operating activities		2,246,562	2,166,788
Payment classes from cash proceeds of operating activities		-284,002,928	-280,135,247
Payments to suppliers for the supply of goods and services		-178,239,304	-173,060,430
Payments to and on behalf of employees		-53,172,002	-51,304,789
Payments for premiums and loans, annuities and other obligations derived from the subscribed policies		-627,787	-2,511,602
Other operating activity payments		-51,963,835	-53,258,426
Cash flow from (utilized in) operations		-61,341,584	-61,765,972
Interest paid		-18,428,257	-19,506,856
Interest received		1,591,617	1,711,934
Income taxes paid (refunded)		-41,357,096	-39,685,017
Other cash flows (outflows)		-3,147,848	-4,286,033
Cash flow from (utilized in) operating activities		232,773,738	211,900,063
Proceeds of sales of property, plant and equipment		24,548,806	152,070
Purchases of property, plant and equipment		-113,196,078	-88,060,184
Purchases of intangible assets		-889,173	-2,507,632
Interest received		153,645	489,717
Other cash flows (outflows)		-3,820,405	-1,825,391
Loan proceeds from financing activities		-93,203,205	-91,751,420
Proceeds of long-term loans		99,531,219	64,249,143
Proceeds of short-term loans		1,566,591	994,353
Loan proceeds from financing activities		101,097,810	65,243,496
Loan repayments		-75,455,795	-56,294,588
Dividends paid		-133,281,684	-122,467,741
Other cash inflows (outflows)		0	-158,399
Cash flows from (utilized in) financing activities		-107,639,669	-113,677,232
Net increase (decrease) in cash and cash equivalents		31,930,864	6,471,411
Cash and cash equivalents at start of period		34,191,142	27,719,731
Cash and cash equivalents at end of period	7	66,122,006	34,191,142

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

STATEMENT ON CHANGES IN NET EQUITY

For the years 2016 and 2015 ending December 31st
(Thousands of Chilean pesos - Th\$)

STATEMENT OF CHANGES IN EQUITY	NOTE	ISSUED CAPITAL TH\$	OTHER PARTICIPATIONS IN EQUITY TH\$	RESERVE OF ACTUARIAL EARNINGS OR LOSSES IN DEFINED BENEFIT PLANS TH\$	ACCUMULATED EARNINGS (LOSSES) TH\$	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER TH\$	NON-CONTROLLER PARTICIPATIONS TH\$	TOTAL EQUITY TH\$
Initial balance as of 01-01-2016		468,358,402	-37,268,417	0	149,536,359	580,626,344	362,360,839	942,987,183
COMPREHENSIVE RESULT								
Earnings		0	0	0	74,289,195	74,289,195	79,395,526	153,684,721
Other comprehensive Earnings	3	0	0	13,537	0	13,537	29,303	42,840
Dividends	3	0	0	0	-65,246,058	-65,246,058	0	-65,246,058
Reduction for transfers and other changes	3	0	0	-13,537	13,537	0	-72,630,830	-72,630,830
Total changes in equity		0	0	0	9,056,674	9,056,674	6,793,999	15,850,673
Closing balance as of 31-12-2016	3-4	468,358,402	-37,268,417	0	158,593,033	589,683,018	369,154,838	958,837,856

STATEMENT OF CHANGES IN EQUITY	NOTE	ISSUED CAPITAL TH\$	OTHER PARTICIPATIONS IN EQUITY TH\$	RESERVE OF ACTUARIAL EARNINGS OR LOSSES IN DEFINED BENEFIT PLANS TH\$	ACCUMULATED EARNINGS (LOSSES) TH\$	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER TH\$	NON-CONTROLLER PARTICIPATIONS TH\$	TOTAL EQUITY TH\$
Initial balance as of 01-01-2015		468,358,402	-37,268,417	0	146,543,901	577,633,886	360,390,905	938,024,791
COMPREHENSIVE RESULT								
Earnings		0	0	0	63,283,308	63,283,308	68,047,759	131,331,067
Other comprehensive Earnings	3	0	0	-723,549	0	-723,549	-732,894	-1,456,443
Dividends	3	0	0	0	-59,567,301	-59,567,301	0	-59,567,301
Reduction for transfers and other changes	3	0	0	723,549	-723,549	0	-65,344,931	-65,344,931
Total changes in equity		0	0	0	2,992,458	2,992,458	1,969,934	4,962,392
Closing balance as of 31-12-2015	3-4	468,358,402	-37,268,417	0	149,536,359	580,626,344	362,360,839	942,987,183

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

Notes on the Consolidated Financial Statements

NOTE 1. GENERAL INFORMATION

Inversiones Aguas Metropolitanas S.A. (hereinafter “IAM” or the “Company”) and its subsidiaries make up the Inversiones Aguas Metropolitanas S.A. group (hereinafter the “Group”). Its legal domicile is Avenue Apoquindo N°4800, Tower 2, office 2001, floor 20, Las Condes, Santiago, Chile and its tax number is 77.274.820-5.

IAM was formed on May 19, 1999 by the companies Aguas de Barcelona S.A. (“SGAB”) and Suez Environnement as a limited partnership in order to take part in the privatization of Empresa Metropolitana de Obras Sanitarias (“EMOS”), today Aguas Andinas S.A.

IAM was awarded a block of shares in an international tender carried out by the Corporación de Fomento de la Producción (CORFO), subscribed a capital increase, and bought further shares on the stock market, thus giving it control of 51.2% of the share capital of Aguas Andinas S.A. (ex EMOS).

In July 2005, the Company was transformed into an open corporation and restricted its corporate objects to the investment in shares of Aguas Andinas S.A. and the provision of all kinds of advice, consultancy and services related to the transfer of technology and know-how, technical assistance, business and project management, especially those related to the management and operation of businesses related to sanitation.

In November 2005, IAM became listed on the stock exchange with the placement of a block of shares representing 43.4% of its share capital, which resulted in the incorporation of new shareholders.

During 2006, IAM sold a 1.1% shareholding in Aguas Andinas S.A. to remain with 50.1% of the capital, thus allowing it to retain control of the sanitation company. In 2007, it implemented an ADR Level I program which enabled its shares to be traded on the United States over-the-counter market.

The Company is the parent of four sanitation companies, three in Greater Santiago (Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A.) and one in the regions of Los Ríos and Los Lagos (Empresa de Servicios Sanitarios de Los Lagos S.A., Essal). In order to provide an integral service within its business, the company has non-sanitation subsidiaries that provide services like liquid industrial waste treatment (Ecoriles S.A.), laboratory analysis (Análisis Ambientales S.A.), the sale of materials and other sanitation-related services (Gestión y Servicios S.A.), and carrying out activities related to water-usage rights and energy projects deriving from the sanitation companies’ installations and assets (Aguas del Maipo S.A.).

The Company and its subsidiaries Aguas Andinas S.A. and Essal S.A. are registered in the Securities

Register of the Superintendence of Securities and Insurance (“SVS”) with the numbers 912, 346 and 524 respectively. The subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. are registered in the SVS special register of reporting entities with the numbers 170 and 2 respectively. As companies in the sanitation sector, they are regulated by the Superintendence of Sanitation Services in accordance with Law 18,902 of 1989 and Decrees 382 and 70, both of 1988.

For the preparation of the consolidated financial statements, it is understood that there is a group when the parent has one or more subsidiary entities over which the parent has control directly or indirectly. The accounting policies applied in the preparation of the Group’s consolidated financial statements are detailed in Note 2.2.

The direct controller is Inversiones Aguas del Gran Santiago Ltda. (“IAGSA”), with a 56.6% shareholding in the Company, itself controlled by Sociedad General de Aguas Barcelona S.A. (“SGAB”), an entity based in Spain and one of the largest sanitation services companies in the world, which is in turn controlled by Suez (France), with ENGIE (France) being the principal shareholder.

NOTE 2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These consolidated financial statements correspond to the state of the financial situation as of December 31, 2016 and the state of comprehensive earnings of its operations, the state of changes in net assets and cash flows for the year ending on that date, which have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter “IASB”), and represent the comprehensive, explicit adoption of the aforementioned IFRS without reservations.

These consolidated financial statements issued through December 31, 2015 were originally prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular N°856 of October 17, 2014 that instructs the audited entities to register in the respective period the differences against equity in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780.

On January 1, 2016, the Company applied the re-adoption of the IFRS, in accordance with paragraph 4A of IFRS 1 Initial Adoption of International Financial Reporting Standards, “as if it had never failed to apply

them.” This re-adoption did not entail adjustments to the consolidated financial statements as of December 31, 2015.

The Group complies with the legal requirements of the environment in which it operates, particularly the sanitation subsidiaries with respect to the specific regulations of the sanitation sector. The Group’s companies have normal operating conditions in each area in which they operate. Each company’s projections show a profitable operation and they are able to access the financial system to finance their operations, which in the opinion of management determines their ability to continue as a company, as established by the accounting standards under which these consolidated financial statements are issued.

Functional and presentational currency

The financial statements of each of the Group’s entities are presented using the currency of the principal economic environment in which those companies operate (Functional currency). For the purposes of the consolidated financial statements, the earnings and financial position of each company in the Group are shown in Chilean pesos (rounded to thousands of pesos), which is the functional currency of the Company and its subsidiaries, and the presentational currency for the consolidated financial statements.

New accounting pronouncements

The standards and interpretations, as well as improvements and modifications to the IFRS that have been issued, effective as of the date of these financial statements, are detailed below. The Company has applied these standards concluding that they did not materially affect the financial statements:

IMPROVEMENTS AND MODIFICATIONS	DATE OF MANDATORY APPLICATION
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016

The standards and interpretations, as well as improvements and modifications to the IFRS, which have been issued but not yet come into effect as of the date of these financial statements, are detailed below. The Company has not applied these rules in advance:

NEW IFRS	DATE OF MANDATORY APPLICATION
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRIC 22, Foreign Currency Transactions and Prepaid Expenses	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019

IMPROVEMENTS AND MODIFICATIONS	DATE OF MANDATORY APPLICATION
IFRS 12, Disclosures about participation in other Companies	Annual periods starting on or after January 01, 2017
IAS 7, Statement of Cash Flows	Annual periods starting on or after January 01, 2017
IAS 12, Income tax	Annual periods starting on or after January 01, 2017
IFRS 2, Share-based Payments	Annual periods starting on or after January 01, 2018
IFRS 4, Insurance contracts	Annual periods starting on or after January 01, 2018
IAS 40, Investment Properties	Annual periods starting on or after January 01, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2018
NIIF 10, Consolidated Financial Statements	To be determined

Responsibility for the information and estimates made

The information contained in these consolidated financial statements is the responsibility of the Board of Directors of the Company, which states that it has applied all principles and criteria included in the International Financial Reporting Standards (IFRS) and the instructions imposed by the SVS. The Board of Directors, in a meeting held on March 29, 2017, approved these consolidated financial statements.

The consolidated financial statements of Inversiones Aguas Metropolitanas S.A. and Subsidiaries for the period 2015 were approved by the board at its meeting held on March 30, 2016.

Estimates such as the following have been used in the preparation of the consolidated financial statements:

- Useful life of fixed intangible assets
 - Valuation of assets and goodwill purchased (commercial funds or lower investment value)
 - Losses through impairment of assets
 - Assumptions used in the actuarial calculation of employee severance benefits
 - Assumptions used in the calculation of fair value of financial instruments
 - Revenues from supplies with invoice pending
 - Provisions for commitments acquired with third parties
 - Risks deriving from pending litigation
- Although these estimates and judgments were made as a function of the best information available on the date of issue of these consolidated financial statements, it is possible that events may occur in

the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing the effects of such changes in the corresponding future consolidated financial statements.

2.2 ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements.

A. Consolidation Basis

The consolidated financial statements include the financial statements of the Company and the entities controlled by it (its subsidiaries). Subsidiaries are those entities in which the Group has the power to direct their important activities, has the right to variable returns relating to its participations and the capacity to use such power to influence the amount of the returns of the

investor. The subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from the consolidation when such control ceases.

All transactions, balances, losses and gains between Group entities are eliminated in the consolidation process.

The Company and its subsidiaries follow the Group's policies uniformly.

The subsidiaries included in the consolidated financial statements of Inversiones Aguas Metropolitanas S.A. are the following:

Tax ID	COMPANY NAME	DIRECT %	INDIRECT%	TOTAL 2016%	DIRECT%	INDIRECT%	TOTAL 2015%
61.808.000-5	Aguas Andinas S.A.	50.10234	0.00000	50.10234	50.10234	0.00000	50.10234
96.809.310-K	Aguas Cordillera S.A.	0.00000	99.99003	99.99003	0.00000	99.99003	99.99003
89.221.000-4	Aguas Manquehue S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.897.320-7	Inversiones Iberaguas Ltda.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	0.00000	53.50650	53.50650	0.00000	53.50650	53.50650
96.945.210-3	Ecoriles S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.828.120-8	Gestión y Servicios S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.967.550-1	Análisis Ambientales S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
76.190.084-6	Aguas del Maipo S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000

B. Operative Segments

IFRS 8 sets the standards for reporting with respect to the operative segments and disclosures relating to products and services. Operative segments are defined as components of an entity for which separate financial information exists which is regularly reviewed by Management for making decisions on the assignment of resources to the subsidiaries and evaluating their performance.

The Group manages and measures the performance of its operations by business segment. The operative segments reported internally are:

- Operations related to the sanitation business (Water).
- Operations unrelated to the sanitation business (Non-Water).

C. Intangible assets other than goodwill

The Company recognizes an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued.

i. Intangible assets acquired separately

Intangible assets acquired separately are shown at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful lives and the amortization method are revised at the closing of each statement of position, accounting for the effect of any change in the estimate from then on prospectively.

ii. Amortization method for intangibles:

Intangibles with defined useful lives.

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method.

Computer programs.

The estimated useful life of software is 4 years. For those other assets with defined useful lives, the useful life for amortization relates to the periods defined in the contracts or rights originating from them.

Intangibles with indefinite useful lives.

Intangible assets with indefinite useful lives relate mainly to water rights and easements that were obtained on an indefinite basis, as established in the acquisition contracts and the rights obtained from the General Water Authority of the Ministry of Public Works.

Determination of useful life

The factors that should be considered for the estimation of the useful life include the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (obsolescence of products, changes in demand).
- Expected reactions of present or potential competitors.
- Natural or climatic factors and technological changes that affect the capacity to generate profits.

The useful life may require modifications over time due to changes in estimates as a result of changes in assumptions about the above-mentioned factors.

D. Goodwill

Goodwill (less the value of investments or commercial fund) generated in the business consolidation represents the excess of acquisition cost over the Group’s participation in the fair value of the assets and liabilities, including identifiable contingent liabilities of a subsidiary at the date of the acquisition.

The valuation of assets and liabilities acquired is made provisionally on the date control of the company is taken, and then revised within a maximum of one year from the acquisition date. Until the fair value of assets and liabilities is determined definitively, the difference between the acquisition price and the book value of the acquired company is shown provisionally as goodwill.

In the event the definitive determination of goodwill is made in the financial statements of the year following the acquisition of the participation, the items of the previous year shown for comparison purposes are modified to incorporate the value of the acquired assets and liabilities and the definitive goodwill from the date the participation was acquired.

Goodwill generated prior to the date of our transition to IFRS, i.e. January 1, 2008, is maintained at the net value registered at that date, while goodwill generated later is registered using the acquisition method.

Goodwill is not amortized but an estimate is made at the end of each accounting period as to whether any impairment has occurred that reduces the recoverable

value to below the net book cost, in which case an adjustment for impairment is made, as required by IAS 36.

E. Property, plant and equipment

The Company follows the cost method for the valuation of Property, Plant and Equipment. Historic cost includes expenses directly attributable to the acquisition of the asset.

Subsequent costs are included in the value of the initial asset or are shown as a separate asset, only when it is probable that future economic benefits associated with the elements of fixed assets are going to flow to the Group and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to Earnings in the period in which they are incurred.

Depreciation method and estimated useful life for property, plant and equipment:

The depreciation method applied by the Company reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company therefore uses the straight-line depreciation method over the technical useful life, based on technical studies prepared by independent experts (external specialist firms). The residual value and useful life of assets are revised and adjusted if necessary at each closing of the Statement of Financial Position.

When the value of an asset is higher than its estimated recoverable amount, this is reduced immediately to the recoverable amount (Note 14).

Useful life

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been modified.

The assignment of the total useful life for assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

- 1. Nature of the component materials in equipment or buildings
- 2. Operating method of the equipment
- 3. Intensity of use
- 4. Legal, regulatory or contractual limitations

The range of useful life (in years) by type of Asset is as follows:

ÍTEM	USEFUL LIFE (YEARS) MINIMUM	USEFUL LIFE (YEARS) MAXIMUM
Buildings	25	80
Plant and equipment	5	50
Computer technology equipment	4	4
Fixed installations and accessories	5	80
Motor vehicles	7	10
Improvements to leased goods	5	5
Other properties, plants and equipment	5	80

Policy for estimating costs of dismantling, retirement or renovation of property, plant and equipment:

Due to the nature of the assets constructed in the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these financial statements.

Fixed asset sales policy

The Earnings of fixed asset sales are calculated by comparing the proceeds received with the book value, and are registered in the Consolidated Integral Earnings Statements.

F. Impairment of tangible and intangible assets except goodwill

The Group revises the book values of its tangible and intangible assets at each closing date of the Consolidated Statement of Financial Position, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered. When it is not possible to estimate the

recoverable value of an asset in particular, the Group estimates the fair value of the Cash Generating Unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested annually for impairment or when there are indications that the asset might have suffered impairment before the end of the period.

The recoverable value is the greater of its fair value less sale costs and the value in use. In estimating the value in use, the present value is calculated of the future cash flows of the assets analyzed using a pre-tax discount rate that reflects both the actual conditions of the money market at the time and the specific risks associated with the asset.

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in Earnings immediately. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted

book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods.

G. Leases

i. Financial leases

Leases are classified as financial leases when the terms of the lease substantially transfer all the risks and benefits of ownership to the lessee. All other leases are classified as operative leases.

ii. Operative leases

Operative lease payments are booked as an expense on a straight-line basis over the term of the lease, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed. Contingent leases are shown as expenses in the period in which they are incurred.

Should lease incentives be received in order to agree an operative lease, such incentives are booked as a liability. The accumulated benefit of incentives is shown on a straight-line basis as a deduction from the leasing expense, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed.

iii. Implicit leases

The Company and subsidiaries review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

H. Financial assets

The acquisitions and disposals of financial instruments are booked on the date of trading, in other words the date on which the Group commits to acquire or sell the asset. Investments are written down when the rights to receive cash flows from the investments have been transferred and the Group has passed substantially all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

- Financial assets at fair value with changes in Earnings.
- Investments held to maturity.
- Loans and accounts receivable.
- Financial assets available for sale.

The classification depends on the nature and purpose of the financial assets and is determined at the time of their initial booking.

Aguas Andinas S.A. and its subsidiaries invest in low-risk instruments that meet the classification standards established in their investment policies. The mutual funds invested in must therefore have a rating of AAfm / M1 (quotas with very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Time deposits and repurchase agreements are instruments classified N-1 (instruments with the highest capacity for paying the principal and interest on the agreed terms and maturities).

The issuing institutions of these instruments are bank Companies or subsidiaries of the Banks with an N-1 credit rating, and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities,

which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the entire corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

ii. Financial assets at fair value with changes in Earnings

Financial assets are shown at fair value through earnings when the asset is held for trading or is designated as at fair value with changes in earnings. Financial assets at fair value with changes in earnings are valued at fair value and any resultant loss or gain is booked in earnings. The net loss or gain booked in earnings includes any dividend or interest received on the financial asset.

The subsidiaries Aguas Andinas S.A. and Aguas del Maipo S.A. hold shares in Sociedad Eléctrica Puntilla S.A., which have been valued at their fair value at the acquisition date, as defined in IAS N°. 39. Their subsequent measurement will be at cost because there is no active market, as provided in the same standard.

iii. Loans and accounts receivable

Commercial debtors, loans and other accounts receivable are non-derivative financial assets that have fixed or determinable payments and that are not traded on an active market, classified as loans and accounts receivable. Loans and accounts receivable are valued

at amortized cost using the effective interest-rate method, less any loss for impairment, except for short-term accounts receivable where the booking of interest would be immaterial.

Commercial debtors and other accounts receivable.

Commercial debtors relate to the billing of water consumption, sewage services, sewage treatment and other services, and to the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the financial statements. These are shown net of the estimate of bad debts or debts with doubtful recovery.

The commercial debtors policy is subject to the credit policy, which sets the payment conditions, and also the different scenarios for reaching agreements with overdue customers.

Policy for impairment of commercial debtors and other accounts receivable

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the uncollectible provisions account. The carrying amount of the asset is reduced as the provisioning account is used and the loss is recognized in the consolidated statement of comprehensive income under “other expenses”. When an account receivable is uncollectible, it is recorded against the provision account for accounts receivable.

Estimates are based on the following historic information: considering recovery statistics, which indicate that eighth months after billing the possibility of recovery is marginal, i.e. the probability of recovery of the amount billed is minimal.

In the subsidiaries Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a 100% provision is made for customers with debts more than 8 months overdue.

For the subsidiaries Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a provision of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

For the subsidiaries Gestión y Servicios S.A., Anam S.A., Ecoriles S.A. and Aguas del Maipo S.A., a 100% provision is made for customer debts more than 120 days overdue.

A 100% provision is made for overdue notes receivable.

I. Inventories

Materials, spares and inputs are shown at cost, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued annually and are booked at market value, if less.

J. Dividends Policy

The Company’s dividends policy is to distribute 30% of the earnings for each year as a final dividend, plus 70% as an additional dividend provided financial conditions permit, subject to approval by the Ordinary Shareholder Meeting and provided the present level of capitalization is maintained and is compatible with the investment policies.

The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less than the 30% referenced, the, the respective provision will be registered.

K. Foreign currency transactions

Assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each period, these being:

CURRENCY	31-12-2016 \$	31-12-2015 \$
United States Dollar	669.47	710.16
Euro	705.60	774.61

Foreign currency transactions are translated to the functional currency using the exchange rates on the date of the transactions. Foreign currency gains and losses resulting from the liquidation of these transactions and their conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the consolidated statement of comprehensive Earnings.

Exchange differences are booked to Earnings for the period in which they accrue.

L. Financial liabilities

Loans, payable bonds and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate, except for transactions for which hedge contracts have been signed, which are valued as described in the following section.

M. Derivative financial instruments and hedge accounting

The employment of derivative financial instruments by the Company and subsidiaries is governed by the Group’s financial-risk management policies, which establish the guidelines for their use.

The Group uses derivative financial instruments for hedging instruments to reduce risks from inflation, interest-rates and exchange rates on current positions to which it is exposed due to its business.

Derivatives are recorded at fair value on the date of the financial situation statement. In the case of financial derivatives, if the value is positive it is booked under “Other Financial Assets” and if negative under “Other Financial Liabilities.”

Changes in the fair value are booked directly in Earnings, except when a derivative has been designated as a hedge accounting instrument and meets all of the conditions established by the IFRS to apply hedge accounting.

Hedging operations with derivative instruments are treated in the following manner:

Hedges of fair value. Changes in the market value of derivative financial instruments designated as hedges, as well as the items hedged, are shown as a credit or charge to financial Earnings in the respective result accounts.

Hedges of cash flows and net foreign-currency investments. Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in an equity reserve called “cash flow hedge,” while the ineffective part is shown in earnings. The amount shown in equity is not passed to the earnings account until the earnings of the transactions hedged are shown there or until the expiration date of such transactions.

In the event of discontinuation of the hedge, the net equity loss or gain accumulated to that date is maintained until the underlying hedged transaction

is realized. At that moment, the accumulated loss or gain in equity will be reversed in the earnings account affecting that transaction.

Financial instruments are shown at their fair value at the close of each period. In the case of derivatives not traded on organized markets, the Group uses assumptions based on market conditions on that date for their valuation.

Effectiveness. A hedge is considered to be highly effective when the changes in fair value or the cash flows of the underlying item directly attributable to the risk hedged are offset by changes in the fair value or cash flows of the hedge instrument, with an effectiveness of between 80% and 125%.

Implicit derivative. The Group also evaluates the existence of derivatives implicit in contracts and financial instruments to determine whether their characteristics and risks are closely related to the principal contract, provided the combination is not being booked at fair value. If they are not closely related, they are booked separately, with the variations in value being taken directly to the consolidated statement of earnings.

N. Provisions and contingent liabilities

The Group registers a provision when there is a present obligation as a consequence of past events, for which it is probable that the Group will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

The quantification of the provisions is made taking into account the best available information on the matter and its consequences and is reviewed at each accounting closing. The provisions made are used to

cover the specific risks for which they were originally shown, their full or partial revision being required when such risks disappear or reduce.

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Group makes no provision for these concepts; if there were, as is required in the same regulation, they would be detailed in Note 15.

O. Employee Benefits

The obligation of termination benefits which are estimated to accrue to employees who retire in Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., are shown at the actuarial value determined using the projected credit-unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the rates of turnover, mortality, wage increases or discount rate, are determined in accordance with IAS 19, in other comprehensive earnings, thus directly affecting Equity, and then later re-classified in accumulated earnings.

Aguas Andinas S.A.

Compensation benefits for years of service in Aguas Andinas S.A. are governed by the Labor Code, except for the amount of the indemnity in any event accumulated to July 31, 2002 and the termination benefit of 1.45 monthly wages, excluding voluntary resignation, without any amount or age limit for workers subject to current collective agreements and those, who through their individual work contract enjoy this benefit. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from

Aguas Andinas S.A. within 120 days of the date when they reach the legal retirement age, can have access to the benefits under the collective contract, and continue to accrue this benefit after July 2002.

Aguas Cordillera S.A. and Aguas Manquehue S.A.
Compensation for years of service in Aguas Cordillera S.A. and Aguas Manquehue S.A. are governed as indicated in the Labor Code, except the amount of the indemnity in any event accumulated through December 31, 2002 and the termination benefit of 1 monthly wage without any amount or age limit for workers covered by current collective agreements and for those to whom this benefit is extended through their individual work contract. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

Essal S.A.
For employees forming part of the collective agreement in force or who are incorporated into it at the date of the financial statements, compensation is calculated at their actuarial value only in the case of retirement and death. In those cases there is a limit of six months for purposes of payment. In other cases, the rules of the Labor Code apply, i.e. they have no right to compensation except for dismissal and with a limit of 11 months wages.

Advances granted to personnel against these funds are shown deducted from outstanding obligations. These will be imputed in the final indexed settlement in accordance with the provisions of the mentioned contracts.

There are no benefits of this kind in the other subsidiaries.

P. Income tax and deferred taxes
The charge for income tax relates to the sum of income tax payable and variations in deferred tax assets and liabilities.

Income tax payable is determined on the basis of the tax result for the period. The income tax payable by the Group is calculated using the tax rates that have been approved or that are in the approval process, on the closing date of the statement of financial position.

Deferred taxes are shown on the basis of differences between the book values of assets and liabilities in the financial statements and the corresponding tax figures used in the calculation of the tax result, and are booked in accordance with the liability method. Deferred tax liabilities are booked for all taxable timing differences, and deferred tax assets are shown for all deductible timing differences provided it is probable that there will be future tax benefits to be able to offset such differences. Deferred tax assets or liabilities are not booked if the timing differences arise from the reduced value or initial booking (except in a combination of businesses) of other assets and liabilities in a transaction that does not affect the tax or financial earnings.

The book value of deferred tax assets is revised on the closing date of each financial position statement and is reduced to the extent that it is unlikely there will be sufficient tax earnings available to permit the recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect at the time of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized the approval process at the close of the statement of financial position. The measurement of deferred assets and liabilities reflects the tax consequences produced in

the way the Group expects to recover or settle the book values of its assets and liabilities at the date of report.

Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities and these are related to the same entity and tax authority.

Q. Ordinary revenue

Policy for accounting for ordinary revenue
Revenue is booked arising from all normal operations and other events at the fair value of the payment received or receivable taking into account the terms of payment, rebates and credit notes, and provided the amount of revenue can be measured reliably.

Policy for booking of ordinary revenue from sales of goods
Revenue from sales of goods is booked once the risk and significant advantages deriving from ownership of the goods are transferred, the Company retains no relationship with the asset sold, the amount of revenue can be measured reliably, it is probable that the company will receive the economic benefits associated with the sale and the costs incurred in the transaction can also be measured reliably.

Policy for booking of ordinary revenue from sales of services
Revenue from sales of services is measured at fair value. Billing is carried out on the basis of actual consumption or work carried out of the consideration receivable, net of returns, trade discounts and rebates, so the revenue is booked when it is transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

The services area of the sanitation companies is divided into billing groups that determine dates for meter readings and later billing. This process is developed based on a calendar month, which leads to the end of each month are unread consumption, and therefore, not billed. For the purposes of revenue accounting, the society makes an estimate of unbilled consumption.

For some sanitation service billing groups, information is held on consumption metered, to which the corresponding tariff is applied. For other groups, there is no metering data available at the date of the monthly closing; an estimate is therefore made on the basis of data from the previous month valued at the current tariff, whether normal or on consumption. Any difference between the actual and estimated consumption is corrected the following month.

The transfer of risks and benefits varies according the business of the company. For the Sanitation Service Companies, the provision of services and all associated charges are made according to actual consumption, and a monthly provision is made for consumption not yet billed, based on the previous billing. For the companies Anam S.A., Ecoriles S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A., invoicing is made on the basis of work performed.

Method used for determining state of termination of services
The provision of the sanitation services is confirmed through the metering of consumption, in accordance with corresponding legislation, while the non-sanitation subsidiaries do so once the services and/or respective reports are completed.

Revenue under agreements with property developers is booked as ordinary revenue provided it complies with

the conditions of each contract that ensure that the related economic benefits will flow to the Company.

R. Earnings per share

Basic earnings per share is calculated as the earnings (loss) attributable to the holders of equity of the controller divided by the average weighted number of common shares in circulation during the periods ending December 31, 2016 and 2015.

During the years 2016 and 2015, the Group has not carried out any kind of operation with a potential diluting effect that supposes that diluted earnings per share are any different to basic earnings per share.

S. Information on the environment

Assets of an environmental kind are those used constantly in the business of the Company and subsidiaries, whose principal objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination for the subsidiaries’ businesses.

These assets are valued, like any other asset, at the acquisition cost. The Company and subsidiaries amortize these elements on a straight-line basis as a function of the estimated remaining years of useful lives of the different elements.

T. Consolidated statement of cash flows

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under the following criteria:

Cash and cash equivalents: Inflows and outflows of cash and equivalent financial assets, these being

understood to be easily-liquidated short-term investments with a low risk of variation in their value (maximum term of 3 months from investment date, and unrestricted).

Operating activities: Typical activities of the normal business operation of the Company and its subsidiaries, plus others that cannot otherwise be defined as for investment or financing activities.

Investment activities: The acquisition, disposal or use by other means of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: Activities that produce changes in the amount and composition of net equity and liabilities not forming part of the ordinary activities.

U. Construction contracts

For construction contracts, the Group uses the “percentage progress method” for booking revenues and expenses referring to a contract being carried out. By this method, the revenues under the contract are compared with the related costs incurred according to the degree of progress made, which results in the amount of the ordinary revenue, expenses and earnings that may be attributed to the portion of the contract carried out.

Contract costs are booked when incurred. When the result of a construction contract cannot be estimated reliably, and it is probable that the contract is going to be profitable, contract revenues are booked over the term of the contract. When it is probable that the contract costs are going to exceed the total revenues, the expected loss is booked immediately as an expense

in the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are booked only to the extent of the contract costs incurred that will probably be recovered.

The Group shows as an asset the gross amount due by customers for the work of all the contracts in progress for which the costs incurred plus booked profits (less booked losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and the withholdings are included in “trade debtors and other accounts receivable”.

The Group shows as a liability the gross amount due to customers for the work of all contracts in progress for which the partial invoicing exceeds the costs incurred plus booked profits (less booked losses).

V. Capitalized financing costs

Interest-bearing loans policy

The costs of loans directly attributable to the acquisition, construction or production of assets that meet the conditions for their qualification are capitalized, thus forming part of the cost of such assets.

Interest-cost capitalization policy

Interest paid or accrued on debt used to finance qualified assets is capitalized, as stipulated in IAS 23 which states that when the entity acquires debt to finance investments, the interest on that debt should be deducted from the financial expense and incorporated in the construction project financed, up to the total amount of such interest, applying the respective rate to the disbursements made to the date of presentation of the financial statements.

W. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2015, according to the following detail:

RECLASSIFICATIONS	CHANGE/ (DECREASE) TH\$
STATUS OF EARNINGS BY NATURE:	
Other (losses) earnings	38,570
Other costs, by nature	-38,570

NOTE 3. EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

The capital of the Company is divided into 1.000.000.000 nominative shares of no par value and of a single series.

The capital as of December 31, 2016 and December 31, 2015 amounts to Th\$468,358,402.

There are no owned shares held in the portfolio, nor are there any preferential shares.

The Company manages its capital to ensure permanent and expedited access to the financial markets, which permits it to carry out its objectives of growth, solvency and profitability.

There have been no changes in the capital management objectives or policies in the periods reported.

In 2016 the following dividend payments were agreed to and made:

On April 28, 2016, the Ordinary Shareholders’ Meeting was held, during which they agreed to distribute 100% of liquidated profits for 2015, as well as \$46,686 corresponding to accumulated earnings. From this distribution the interim dividend paid in January 2016 for an amount of Th\$20,324,000 was deducted. Because of this, the distributable profits amounted to Th\$42,959,300, corresponding to a dividend of \$42.9593 per share, payable from May 27, 2016.

At the Board Session held on November 29, 2016, it was agreed to distribute Th\$21,035,300, on account of the profits of the year 2016, as a provisional dividend. Due to the above, the Company’s dividend number 27 amounted to \$21.0353 per share, paid on January 23, 2017.

In 2015, the following dividend payments were agreed upon and made:

On April 29, 2015 the Ordinary Shareholders Meeting was held, which approved the distribution of 100% of net profits earned by the company in 2014, plus \$5,933 corresponding to retained earnings. The interim dividend paid in January 2015 amounted to Th\$19,467,400. As a result, distributable profits amounted to Th\$39,243,301, corresponding to a dividend of \$39.2433 per share, paid in May 2015.

At the Board of Directors meeting held on December 16, 2015, it was agreed to distribute Th\$20,324,000, on account of profits for the year 2015, as a provisional dividend. Due to the foregoing, the Company’s dividend number 25 amounts to \$20.324 per share, paid on January 18, 2016.

PROVISION FOR MINIMUM DIVIDEND

In accordance with the policy described in Note 2.2. Letter J, the Company made a provision for the minimum dividend of Th\$1,251,458. As of December 31, 2015 no provision was registered for a minimum dividend, due to the fact the Company paid more than 30% of profits as an interim dividend.

ACCUMULATED EARNINGS

The amounts booked for revaluation of land and intangible assets and other adjustments on the first adoption of IFRS are included in accumulated earnings and have restrictions for their distribution, as they first have to be booked as realized, through their use or sale, as established in IFRS 1, IAS 16 and Circular N° 456 of June 20, 2008 of the Superintendence of Securities and Insurance. Also included under this concept is the amount corresponding to the actuarial gains and losses determined since 2009, as a result of variations in the obligations for defined benefit plans.

The balances as of December 31, 2016 and December 31, 2015 are Th\$158,593,033 and Th\$149,536,359 respectively.

Additionally, as of December 31 in 2016 and 2015, modifications were made to the calculation parameters in the actuarial earnings and losses on compensation, which generated a register in accumulated earnings of Th\$13,537 and Th\$-723,549 (see note 2.2. O).

Other participations in equity.

The amount registered in other participations refers to the monetary correction of paid capital of the year 2008, the year of transition to IFRS, in accordance with Circular N° 456 of the Superintendence of Securities and Insurance, and the effects of combining business activities of the Companies under common control made in 2007 and 2008. The balance as of December 31, 2016 and 2015 is Th\$-37,268,417.

NOTE 4. EQUITY ATRIBUTTABLE TO NON-CONTROLLER PARTICIPATIONS

The detail by Company of the effects caused by the third party participation in the equity and earnings as of December 31, 2016 and 2015 are as follows:

COMPANY	% PARTICIPATION		NON-CONTROLLING PARTICIPATIONS			
	31-12-2016 %	31-12-2015 %	EQUITY		EARNINGS	
			31-12-2016 TH\$	31-12-2015 TH\$	31-12-2016 TH\$	31-12-2015 TH\$
Aguas Andinas S.A.	49.89766%	49.89766%	316,429,593	307,966,349	75,133,733	64,372,046
Aguas Cordillera S.A.	0.00997%	0.00997%	21,198	19,906	3,193	1,841
Essal S.A. ⁽¹⁾	46.49350%	46.49350%	52,704,047	54,374,584	4,258,600	3,673,872
TOTALS			369,154,838	362,360,839	79,395,526	68,047,759

(1)Includes the participations of third parties by assigning a market value of the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A., at the moment the businesses were merged.

The dividends paid to non-controlling participations of the subsidiaries Essal S.A and Aguas Andinas S.A. as of December 31, 2016 and 2015 were Th\$69,944,168 and Th\$64,945,029, respectively.

NOTE 5. OTHER REVENUE AND EXPENSES

The following presents additional information according to IAS 1, referring to other non-operating revenues and expenses:

NON-OPERATING REVENUE & EXPENSES	31-12-2016 TH\$	31-12-2015 TH\$
Earnings from sale of non-current assets, not held for sale (*)	20,169,952	143,733
Losses for replacement of properties, plant and equipment	-416,341	-185,854
Abandoned projects (**)	-5,395,624	-38,571
Other revenues	236,100	38,032
Other (losses) gains	14,594,087	-42,660
Bank loans	-4,666,883	-4,272,443
AFR interest expenses	-6,808,706	-6,262,912
Bond interest expenses	-14,865,823	-16,498,609
Other interest expenses	-555,730	-545,845
Amortization of loan agreement complementary costs	-221,240	-329,394
Financial Costs	-27,118,382	-27,909,203
Interest income	5,027,881	4,630,493
Gain on redemption & extinction of debt	1,483,341	1,123,360
Income for derivative instruments	0	877,136
Financial Revenues	6,511,222	6,630,989

(*) Corresponds primarily to the sale of property of the subsidiary Aguas Cordillera S.A.

(**) It correspond to investments for which was defined no to run them.

NOTE 6. FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

The following is summarized information on the statement of financial position and statement of comprehensive earnings of each of the subsidiaries included in the consolidated financial statements:

STATEMENT OF FINANCIAL POSITION OF SUBSIDIARIES (STATEMENT OF FINANCIAL SITUATION) AS OF DECEMBER 31, 2016

SUBSIDIARIES	CURRENT ASSETS TH\$	NON-CURRENT ASSETS TH\$	CURRENT LIABILITIES TH\$	NON-CURRENT LIABILITIES TH\$	EQUITY TH\$
Aguas Andinas S.A.	124,140,445	1,380,836,807	155,966,837	714,853,235	634,157,180
Aguas Cordillera S.A.	44,978,477	263,155,183	46,265,462	49,255,201	212,612,997
Aguas Manquehue S.A.	4,859,500	79,936,629	7,697,070	23,831,041	53,268,018
Inversiones Iberaguas Ltda.	2,305,082	66,033,589	24,386	0	68,314,285
Empresa de Servicios Sanitarios de Los Lagos S.A.	15,425,907	147,548,129	17,710,264	68,171,861	77,091,911
Ecoriles S.A.	5,103,621	425,004	2,380,465	0	3,148,160
Gestión y Servicios S.A.	5,768,832	907,094	3,690,043	40,043	2,945,840
Análisis Ambientales S.A.	2,029,111	5,354,352	2,956,521	0	4,426,942
Aguas del Maipo S.A.	477,419	8,347,776	99,426	82,367	8,643,402

STATEMENT OF COMPREHENSIVE EARNINGS OF SUBSIDIARIES (STATEMENT OF COMPREHENSIVE INCOME) AS OF DECEMBER 31, 2016

SUBSIDIARIES	EARNINGS FOR THE PERIOD TH\$	ORDINARY REVENUE TH\$	OPERATING EXPENSES (-) TH\$	OTHER EXPENSES (-) / NET REVENUE (+) TH\$
Aguas Andinas S.A.	150,575,666	369,614,696	-186,373,052	-32,665,978
Aguas Cordillera S.A.	32,025,085	53,429,959	-33,662,534	12,257,660
Aguas Manquehue S.A.	2,347,131	11,488,104	-7,990,313	-1,150,660
Inversiones Iberaguas Ltda.	6,678,409	0	-12,600	6,691,009
Empresa de Servicios Sanitarios de Los Lagos S.A.	13,163,288	53,655,895	-33,044,506	-7,448,101
Ecoriles S.A.	1,722,641	12,726,542	-10,519,495	-484,406
Gestión y Servicios S.A.	-1,253,090	8,569,328	-8,094,804	-1,727,614
Análisis Ambientales S.A.	698,742	7,159,548	-6,167,761	-293,045
Aguas del Maipo S.A.	-441,252	0	-731,325	290,073

SUMMARY OF FINANCIAL POSITION OF SUBSIDIARIES (STATEMENT OF FINANCIAL SITUATION) THROUGH DECEMBER 31, 2015

SUBSIDIARIES	CURRENT ASSETS TH\$	NON-CURRENT ASSETS TH\$	CURRENT LIABILITIES TH\$	NON-CURRENT LIABILITIES TH\$	EQUITY TH\$
Aguas Andinas S.A.	106,909,974	1,337,961,306	197,306,035	630,369,269	617,195,976
Aguas Cordillera S.A.	19,525,493	254,713,113	20,666,580	53,916,903	199,655,123
Aguas Manquehue S.A.	3,319,920	75,175,718	3,498,085	21,813,263	53,184,290
Inversiones Iberaguas Ltda.	1,886,358	65,824,145	23,443	0	67,687,060
Empresa de Servicios Sanitarios de Los Lagos S.A.	14,781,420	140,909,823	16,343,039	62,666,961	76,681,243
Ecoriles S.A.	4,666,622	384,060	2,217,789	0	2,832,893
Gestión y Servicios S.A.	6,085,890	286,174	1,821,756	36,577	4,513,731
Análisis Ambientales S.A.	2,339,638	5,492,895	4,235,959	0	3,596,574
Aguas del Maipo S.A.	1,435,830	8,461,121	498,671	57,196	9,341,084

STATEMENT OF FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF COMPREHENSIVE INCOME) AS OF DECEMBER 31, 2015

SUBSIDIARIES	EARNINGS FOR THE PERIOD TH\$	ORDINARY REVENUE TH\$	OPERATING EXPENSES (-) TH\$	OTHER EXPENSES (-) / NET REVENUE (+) TH\$
Aguas Andinas S.A.	129,008,145	352,508,957	-180,890,859	-42,609,953
Aguas Cordillera S.A.	18,466,641	51,987,378	-32,475,808	-1,044,929
Aguas Manquehue S.A.	3,542,017	10,986,311	-6,052,435	-1,391,859
Inversiones Iberaguas Ltda.	6,079,260	0	-11,564	6,090,824
Empresa de Servicios Sanitarios de Los Lagos S.A.	11,984,655	49,523,574	-30,375,448	-7,163,471
Ecoriles S.A.	1,864,729	12,592,871	-10,276,082	-452,060
Gestión y Servicios S.A.	616,028	9,405,126	-8,609,974	-179,124
Análisis Ambientales S.A.	1,137,491	6,989,535	-5,725,439	-126,605
Aguas del Maipo S.A.	645,235	920,864	-646,984	371,355

Detail of significant subsidiaries

The definition of significant subsidiaries is based on their percentage participation in the operational earnings, their participation in fixed assets and earnings for the period with respect to the Consolidated Financial Statements. The following are considered to be significant subsidiaries:

NAME OF SIGNIFICANT SUBSIDIARY	AGUAS ANDINA S.A.	AGUAS CORDILLERA S.A.	AGUAS MANQUEHUE S.A.	ESSAL S.A
Tax ID	61.808.000-5	96.809.310-k	89.221.000-4	95.579.800-5
Country	Chile	Chile	Chile	Chile
Functional currency	Chilean pesos	Chilean pesos	Chilean pesos	Chilean pesos
Percentage share in significant subsidiary	50.10234%	99.99003%	100.00000%	53.50650%
Percentage voting rights in significant subsidiary	50.10234%	99.99003%	100.00000%	53.50650%
PERCENTAGE OF CONSOLIDATED VALUES				
Contribution margin	83.08%	8.68%	1.53%	6.90%
Property, plant and equipment	72.11%	8.23%	4.32%	14.90%
Yearly income	76.13%	20.04%	1.61%	3.31%

In case of default or delay in the payment of a share of one of the existing loans, the subsidiary Aguas Andinas S.A. will be prohibited from distributing dividends, except for the mandatory minimum.

NOTE 7. CASH AND CASH EQUIVALENTS

The composition is as follows:

CASH AND CASH EQUIVALENTS	31-12-2016 TH\$	31-12-2015 TH\$
Banks	27,753,853	2,885,339
Term deposits (Note 8.6)	37,184,605	31,305,803
Mutual funds (Note 8.6)	1,183,548	0
Totals	66,122,006	34,191,142

Cash equivalents relate to financial assets of deposits in time and mutual funds with maturities of less than 90 days from the date of the originating transaction.

Detail of some items of the statement of cash flows

- Other operating activity proceeds:** Relate to services connected with the business, principally agreements signed with property developers.
- Other operating activity payments:** Relate principally to the payment of value added tax (VAT).
- Other investment activity outflows:** Relate mainly to interest associated with bond issues, which has been capitalized as a result of investments in property, plant and equipment.

No legal restrictions exist that impede the immediate availability of the accounts of cash and cash equivalents utilized by the Group.

NOTE 8. FINANCIAL INSTRUMENTS

8.1 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that Group entities will continue as a business through the maximization of profitability for shareholders by the optimization of the debt and capital structure. The Group’s general strategy has not changed since 2009. The Group’s capital structure comprises debt, which includes the loans disclosed in Note 8.4, and the capital attributable to equity holders of the controller, which includes the capital, reserves and retained earnings shown in Note 3.

8.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods adopted, including accounting criteria, the bases of measurement, and the bases on which the revenues and expenses are booked, with respect to each class of financial assets and financial obligations, are described in Note 2 Letters H, L and M to these consolidated financial statements.

8.3 Classes of financial instruments

A summary of the financial instruments through December 31, 2016 and 2015 is presented below:

CLASSES OF FINANCIAL INSTRUMENTS	CURRENCY	NOTE	31-12-2016 TH\$	31-12-2015 TH\$
FINANCIAL ASSETS				
All trade debts and other accounts receivable, current			106,303,061	99,973,313
Trade debtors & other accounts receivable, current	CLP	8.5	106,234,129	99,880,898
Trade debtors & other accounts receivable, current	USD	8.5	25,312	38,609
Trade debtors & other accounts receivable, current	EUR	8.5	43,620	53,806
Information on related entities			1,275,867	5,224,620
Accounts receivable from other related entities	CLP	9	1,275,867	5,224,620
Total current financial assets			107,578,928	105,197,933
Rights payable	CLP	8.5	2,082,334	2,184,457
Other financial assets	CLP	8.9	7,792,445	7,559,679
Total noncurrent financial assets			9,874,779	9,744,136
FINANCIAL LIABILITIES				
Other financial liabilities, current			43,629,749	75,672,328
Bank loans	CLP	8.4	3,630,278	12,239,349
Bonds	CLP	8.4	13,312,288	53,648,065
Reimbursable financial contributions (AFR)	CLP	8.4	26,687,183	9,784,914
Other financial liabilities, noncurrent			808,003,406	722,132,796
Bank loans	CLP	8.4	94,019,209	87,519,209
Bonds	CLP	8.4	546,341,722	464,344,024
Reimbursable financial contributions (AFR)	CLP	8.4	167,642,475	170,269,563
Trade accounts & other accounts payable, current			112,312,020	102,090,474
Trade debtors & other accounts payable current	CLP	8.7	112,198,484	101,960,885
Trade debtors & other accounts payable current	USD	8.7	98,320	99,358
Trade debtors & other accounts payable current	EUR	8.7	15,216	30,231
Information on related entities, current			28,193,771	35,347,689
Accounts payable to other related entities	CLP	9	28,193,771	35,347,689
Total financial liabilities, current			140,505,791	137,438,163
Other accounts payable	CLP	8.7	949,408	1,829,986
Total financial liabilities, noncurrent			949,408	1,829,986

8.4 Information to disclose on financial liabilities

Other financial liabilities

Other financial liabilities include bank loans, public obligations (bonds) and Reimbursable Financial Contributions (AFRs), which are valued at amortized cost, as explained below:

Reimbursable financial contributions (AFRs)

In accordance with article 42-A of MINECON decree N° 453 of 1989, “The Reimbursable Financial Contributions, for extension and for capacity, constitute a financing alternative for the provider (company that provides sanitation services) for carrying out sanitation works of extension and capacity which, under the law, are at its expense and cost.”

They consist of certain amounts of money or works that sanitation public utilities can require of those asking to be incorporated as customers or who request an expansion of service and which, according to current regulations, have defined forms and terms for their reimbursement.

The reimbursement of the amounts contributed by customers is made basically through the issue of

endorsable promissory notes at 10 or 15 years and, in some minor cases, through reimbursement by the provision of sanitation services.

The details of reimbursable financial contributions as of December 31, 2016 and 2015 are as follows:

Reimbursable Financial Contributions, current portion

REGISTRATION NO. OR IDENTIFICATION OF THE INSTRUMENT	CURRENCY READJUSTMENT INDEX	RESIDUAL UF 31-12-2016	BOOK VALUE		CONTRACT REAL INTEREST RATE	EFFECTIVE RATE	PLACEMENT IN CHILE OR ABROAD	ISSUING COMPANY	ISSUER TAX ID	TYPE OF REPAYMENT	SECURED (YES/ NO)
			31-12-2016 TH\$	31-12-2015 TH\$							
AFR	UF	681,095	18,299,860	4,930,519	4.34%	4.07%	Chile	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	257,817	6,983,609	4,787,277	4.83%	4.61%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	52,696	1,403,714	67,118	4.06%	3.87%	Chile	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
Totals		991,608	26,687,183	9,784,914							

Reimbursable Financial Contributions, non-current portion

REGISTRATION NO. OR IDENTIFICATION OF THE INSTRUMENT	CURRENCY READJUSTMENT INDEX	RESIDUAL UF 31-12-2016	BOOK VALUE		CONTRACT REAL INTEREST RATE	EFFECTIVE RATE	PLACEMENT IN CHILE OR ABROAD	ISSUING COMPANY	ISSUER TAX ID	TYPE OF REPAYMENT	SECURED (YES/NO)
			31-12-2016 TH\$	31-12-2015 TH\$							
AFR	UF	4,467,657	118,691,514	120,888,266	22-12-2031	3.43%	3.27%	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	883,791	23,492,843	27,098,726	22-12-2031	3.35%	3.21%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	627,021	16,662,840	14,570,067	29-12-2031	3.22%	3.10%	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
AFR	UF	333,813	8,795,278	7,712,504	13-09-2031	3.59%	3.59%	Essal S.A	96.579.800-5	At maturity	No
Totals		6,312,282	167,642,475	170,269,563							

The detail of bank loans as of December 31, 2016 and 2015 is as follows:

TOTAL BANK LOANS, CURRENT PERIOD							
Debtor tax no.	61.808.000-5	61.808.000-5	96.809.310-K	96.579.800-5	96.579.800-5	96.579.800-5	
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	Essal S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	
Creditor Tax ID	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	97.004.000-7	97.006.000-6	
Bank or financial institution	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile	Banco de Chile	Banco BCI	
Currency or indexation unit	CLP	CLP	CLP	CLP	CLP	CLP	
Repayment Method	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	
Effective rate	4.44%	4.32%	4.41%	4.50%	4.75%	4.38%	
Nominal rate	4.44%	4.32%	4.41%	4.50%	4.75%	4.38%	
NOMINAL VALUES							
To 1 year	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
To 90 days	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
Over 1 year to 3 years	20,089,002	0	20,000,000	4,000,000	6,500,000	0	50,589,002
Over 1 year to 2 years	6,283,344	0	0	0	0	0	6,283,344
Over 2 years to 3 years	13,805,658	0	20,000,000	4,000,000	6,500,000	0	44,305,658
More than 3 years to 5 years	24,159,903	19,270,304	0	0	0	0	43,430,207
More than 3 years to 4 years	8,141,799	19,270,304	0	0	0	0	27,412,103
More than 4 years to 5 years	16,018,104	0	0	0	0	0	16,018,104
Total nominal values	45,154,838	19,557,046	20,303,800	4,021,998	6,537,015	2,074,790	97,649,487
BOOK VALUES							
Current bank loans	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
Up to 90 days	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
Non-current bank loans	44,248,905	19,270,304	20,000,000	4,000,000	6,500,000	0	94,019,209
More than 1 year to 3 years	20,089,002	0	20,000,000	4,000,000	6,500,000	0	50,589,002
More than 1 year to 2 years	6,283,344	0	0	0	0	0	6,283,344
More than 2 years to 3 years	13,805,658	0	20,000,000	4,000,000	6,500,000	0	44,305,658
More than 3 years to 5 years	24,159,903	19,270,304	0	0	0	0	43,430,207
More than 3 years to 4 years	8,141,799	19,270,304	0	0	0	0	27,412,103
More than 4 years to 5 years	16,018,104	0	0	0	0	0	16,018,104
Total bank loans	45,154,838	19,557,046	20,303,800	4,021,998	6,537,015	2,074,790	97,649,487

Book value = principal+/- issue over/below – issue costs + accrued interest by effective interest-rate method -interest and principal paid
Nominal value = principal+ accrued interest at issue rate - interest and principal payments

BALANCES OF BANK LOANS, PREVIOUS PERIOD

Debtor tax no.	61.808.000-5	61.808.000-5	61.808.000-5	96.809.310-K	96579800-5
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile
Creditor Tax ID	97.032.000-8	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7
Bank or financial institution	Banco BBVA	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile
Currency or indexation unit	CLP	CLP	CLP	CLP	CLP
Repayment Method	Semi-annual	Semi-annual	At maturity	Semi-annual	At maturity
Effective rate	4.24%	4.15%	4.18%	4.29%	4.28%
Nominal rate	4.24%	4.15%	4.18%	4.29%	4.28%

NOMINAL VALUES

To 1 year	10,777,972	851,864	286,400	297,917	25,196	12,239,349
To 90 days	1,395,560	851,864	286,400	297,917	0	2,831,741
Over 90 days to 1 year	9,382,412	0	0		25,196	9,407,608
Over 1 year to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
More than 2 years to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
More than 3 years to 5 years	0	21,947,457	19,270,304	20,000,000	0	61,217,761
More than 3 years to 4 years	0	13,805,658	0	0	0	13,805,658
Over 4 years to 5 years	0	8,141,799	19,270,304	20,000,000	0	47,412,103
Over 5 years	0	16,018,104	0	0	0	16,018,104
Over 5 years	0	16,018,104	0	0	0	16,018,104
Total nominal values	10,777,972	45,100,769	19,556,704	20,297,917	4,025,196	99,758,558

BOOK VALUES

Current bank loans	10,777,972	851,864	286,400	297,917	25,196	12,239,349
Up to 90 days	1,395,560	851,864	286,400	297,917	0	2,831,741
Over 90 days to 1 year	9,382,412	0	0	0	25,196	9,407,608
Non-current bank loans	0	44,248,905	19,270,304	20,000,000	4,000,000	87,519,209
More than 1 year to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
More than 2 years to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
More than 3 years to 5 years	0	21,947,457	19,270,304	20,000,000	0	61,217,761
More than 3 years to 4 years	0	13,805,658	0	0	0	13,805,658
More than 4 years to 5 years	0	8,141,799	19,270,304	20,000,000	0	47,412,103
Over 5 years	0	16,018,104	0	0	0	16,018,104
Over 5 years	0	16,018,104	0	0	0	16,018,104
Total bank loans	10,777,972	45,100,769	19,556,704	20,297,917	4,025,196	99,758,558

Book value = principal+/- issue over/below – issue costs + accrued interest by effective interest-rate method -interest and principal paid

Nominal value = principal+ accrued interest at issue rate - interest and principal payments

The detail of bonds outstanding as of December 31, 2016 and December 31, 2015 is as follows:

TOTAL BONDS PAYABLE, CURRENT PERIOD														
Debtor Tax ID	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Inscription number	580	630	655	655	712	713	713	778	778	806	777	806	806	284
Series	BAGUA-J	BAGUA-M	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	BAGUA-Z	BAGUA-AA	BAGUA-AA	Besal-B
Final maturity	01-12-2018	01-04-2031	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	15-01-2023	15-01-2040	15-01-2040	01-06-2028
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Repayment period	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual	Semi-annual	Semi-annual	Semi-annual
Effective rate	4.16%	4.15%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	2.15%	3.29%	3.29%	6.63%
Nominal rate	4.00%	4.20%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	2.40%	3.20%	3.20%	6.00%
NOMINAL VALUES														
To 1 year	86,966	479,164	377,771	143,494	5,974,887	585,187	495,948	457,111	165,298	523,060	288,112	766,788	3,223,684	13,567,470
To 90 days	0	0	0	0	0	0	0	0	0	523,060	288,112	766,788	0	1,577,960
Over 90 days to 1 year	86,966	479,164	377,771	143,494	5,974,887	585,187	495,948	457,111	165,298	0	0	0	3,223,684	11,989,510
Over 1 year to 3 years	26,347,980	0	0	0	8,782,661	0	0	0	0	0	3,293,498	0	6,101,636	44,525,775
Over 1 year to 2 years	0	0	0	0	5,855,107	0	0	0	0	0	0	0	3,050,818	8,905,925
Over 2 years to 3 years	26,347,980	0	0	0	2,927,554	0	0	0	0	0	3,293,498	0	3,050,818	35,619,850
Over 3 years to 5 years	0	46,108,965	39,521,970	43,474,167	0	60,600,354	52,695,960	52,695,960	60,600,354	42,156,768	23,054,483	52,695,960	29,398,689	503,003,630
Over 3 years to 4 years	0	0	0	0	0	0	0	0	0	0	6,586,995	0	3,050,818	9,637,813
Over 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	6,586,995	0	3,050,818	9,637,813
Over 5 years	0	46,108,965	39,521,970	43,474,167	0	60,600,354	52,695,960	52,695,960	60,600,354	42,156,768	9,880,493	52,695,960	23,297,053	483,728,004
Total nominal value	26,434,946	46,588,129	39,899,741	43,617,661	14,757,548	61,185,541	53,191,908	53,153,071	60,765,652	42,679,828	26,636,093	53,462,748	38,724,009	561,096,875
BOOK VALUES														
Current public obligations	48,567	491,052	386,822	156,553	5,931,501	577,600	493,259	457,111	152,338	467,870	304,639	715,837	3,129,139	13,312,288
Up to 90 days	0	0	0	0	0	0	0	0	0	467,870	304,639	715,837	0	1,488,346
Over 90 days to 1 year	48,567	491,052	386,822	156,553	5,931,501	577,600	493,259	457,111	152,338	0	0	0	3,129,139	11,823,942
Non-current public obligations	26,311,664	46,321,979	39,719,854	43,727,674	8,774,028	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	26,404,869	51,606,287	34,936,538	546,341,722
More than 1 year to 3 years	26,311,664	0	0	0	8,774,028	0	0	0	0	0	3,300,609	0	5,994,248	44,380,549
More than 1 year to 2 years	0	0	0	0	5,849,352	0	0	0	0	0	0	0	2,997,124	8,846,476
More than 2 years to 3 years	26,311,664	0	0	0	2,924,676	0	0	0	0	0	3,300,609	0	2,997,124	35,534,073
More than 3 years to 5 years	0	46,321,979	39,719,854	43,727,674	0	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	23,104,260	51,606,287	28,942,290	501,961,173
More than 3 years to 4 years	0	0	0	0	0	0	0	0	0	0	6,601,217	0	2,997,124	9,598,341
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	6,601,217	0	2,997,124	9,598,341
More than 5 years	0	46,321,979	39,719,854	43,727,674	0	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	9,901,826	51,606,287	22,948,042	482,764,491
Total public obligations	26,360,231	46,813,031	40,106,676	43,884,227	14,705,529	60,999,774	53,100,279	53,153,071	61,790,731	41,643,152	26,709,508	52,322,124	38,065,677	559,654,010

TOTAL BONDS PAYABLE, PREVIOUS PERIOD													
Debtor Tax ID	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Inscription number	580	629	630	654	655	655	712	713	713	778	778	806	284
Series	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-N	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	Besal-B
Final maturity	01-12-2018	01-10-2016	01-04-2031	01-04-2016	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	01-06-2028
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Repayment period	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual
Effective rate	4.16%	3.06%	4.15%	3.26%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	6.63%
Nominal rate	4.00%	2.90%	4.20%	3.17%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	6.00%

NOMINAL VALUES														
To 1 year	84,593	9,292,885	466,091	32,288,265	367,463	139,579	5,858,471	569,221	482,416	444,639	160,788	508,789	2,967,578	53,630,778
To 90 days	84,593	66,413	466,091	251,902	367,463	139,579	163,118	569,221	482,416	444,639	160,788	508,789	0	3,705,012
Over 90 days to 1 year	0	9,226,472	0	32,036,363	0	0	5,695,353	0	0	0	0	0	2,967,578	49,925,766
Over 1 year to 3 years	25,629,090	0	0	0	0	0	11,390,706	0	0	0	0	0	5,935,156	42,954,952
Over 1 year to 2 years	0	0	0	0	0	0	5,695,353	0	0	0	0	0	2,967,578	8,662,931
Over 2 years to 3 years	25,629,090	0	0	0	0	0	5,695,353	0	0	0	0	0	2,967,578	34,292,021
Over 3 years to 5 years	0	0	44,850,908	0	38,443,635	42,287,999	2,847,677	58,946,907	51,258,180	51,258,180	58,946,907	41,006,544	31,962,383	421,809,320
Over 3 years to 4 years	0	0	0	0	0	0	2,847,677	0	0	0	0	0	2,967,578	5,815,255
Over 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	0	0	2,967,578	2,967,578
Over 5 years	0	0	44,850,908	0	38,443,635	42,287,999	0	58,946,907	51,258,180	51,258,180	58,946,907	41,006,544	26,027,227	413,026,487
Total nominal value	25,713,683	9,292,885	45,316,999	32,288,265	38,811,098	42,427,578	20,096,854	59,516,128	51,740,596	51,702,819	59,107,695	41,515,333	40,865,117	518,395,050

BOOK VALUES														
Current public obligations	47,477	9,303,656	477,506	32,274,465	376,183	152,093	5,809,662	561,921	479,777	444,639	195,542	474,978	3,050,166	53,648,065
Up to 90 days	47,477	77,185	477,506	238,102	376,183	152,093	114,309	561,921	479,777	444,639	195,542	474,978	0	3,639,712
Over 90 days to 1 year	0	9,226,471	0	32,036,363	0	0	5,695,353	0	0	0	0	0	3,050,166	50,008,353
Non-current public obligations	25,554,748	0	45,075,809	0	38,650,570	42,554,239	14,186,402	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	37,225,313	464,344,024
More than 1 year to 3 years	25,554,748	0	0	0	0	0	11,356,052	0	0	0	0	0	5,818,248	42,729,048
More than 1 year to 2 years	0	0	0	0	0	0	5,678,026	0	0	0	0	0	2,909,124	8,587,150
More than 2 years to 3 years	25,554,748	0	0	0	0	0	5,678,026	0	0	0	0	0	2,909,124	34,141,898
More than 3 years to 5 years	0	0	45,075,809	0	38,650,570	42,554,239	2,830,350	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	31,407,065	421,614,976
More than 3 years to 4 years	0	0	0	0	0	0	2,830,350	0	0	0	0	0	2,909,124	5,739,474
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	0	0	2,909,124	2,909,124
More than 5 years	0	0	45,075,809	0	38,650,570	42,554,239	0	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	25,588,817	412,966,378
Total public obligations	25,602,225	9,303,656	45,553,315	32,274,465	39,026,753	42,706,332	19,996,064	59,323,060	51,647,659	51,702,819	60,131,618	40,448,644	40,275,479	517,992,089

8.5 Risk management

The principal objectives of financial risk management are to ensure the availability of funds to meet financial commitments and to protect the value of the economic flows of the Group’s assets and liabilities.

This management is carried out through the identification of the risks, the determination of tolerance to each risk, the hedging of such financial risks and the control of hedge transactions. To achieve the objectives, financial risk management is based on hedging all significant exposures, provided there are suitable instruments and they are reasonably priced.

i. Credit risk

Credit risk is the possibility of financial loss arising from the default of obligations by our counterparties (customers).

Inversiones Aguas Metropolitanas S.A. and its sanitation subsidiaries have a well-spread market which implies that the risk of a customer credit in particular is not significant.

The Company’s objective is to maintain minimum levels of bad debts. There is a credit policy which sets the conditions and types of payment and also conditions for reaching payment agreements with overdue customers. The management processes are to control, estimate and evaluate bad debts in order to take corrective actions to achieve the objectives. One of the principal actions and measures for maintaining low levels of bad debts is to cut the service. The method for analysis is based on historic data on customer accounts receivable and other debtors.

CREDIT RISK	31-12-2016 TH\$	31-12-2015 TH\$
Gross exposure per balance sheet for risks of accounts receivable	139,695,430	135,088,387
Gross exposure per estimates of risks of accounts receivable	-31,310,035	-32,930,617
Net exposure, risk concentration	108,385,395	102,157,770

MOVEMENT OF CREDIT RISK, ACCOUNTS RECEIVABLE	31-12-2016 TH\$	31-12-2015 TH\$
Initial balance	-32,930,617	-37,114,376
Increase in existing previsions	-4,102,952	-2,927,290
Reductions	5,723,534	7,111,049
Changes, total	1,620,582	4,183,759
Final balance	-31,310,035	-32,930,617

The following shows the composition of gross debt by age:

AGING OF DEBT	31-12-2016 TH\$	31-12-2015 TH\$
Less than three months	104,494,225	98,569,882
Three to six months	2,057,176	1,451,053
Six to eight months	743,934	643,501
More than eight months	32,400,095	34,423,951
Total	139,695,430	135,088,387

As required by IFRS 7 on Financial Instruments, the following details the past-due gross debt by age:

PAST-DUE DEBT	31-12-2016 TH\$	31-12-2015 TH\$
Less than three months	11,014,577	10,440,702
Three to six months	1,625,815	1,156,948
Six to eight months	656,727	562,643
Total	13,297,119	12,160,293

Past-due gross debt comprises all receivables over two months past due, as the counterparty has ceased to pay when contractually due. Per the Company’s policy, balances less than 8 months old are not considered included.

ii. Liquidity risk

Liquidity risk is the possibility that adverse situations in the capital markets prevent the Group from having access to financing and from being able to finance its acquired commitments, such as long-term investments and working capital needs at reasonable market prices.

The management utilizes forecasts of the Group’s liquidity reserve as a function of expected cash flows.

Preventive measures taken to manage liquidity risk include the following:

- Diversification of financing sources and instruments.
- Agree upon maturity dates with creditors in order to avoid the concentration of large repayments in one period.

Maturity Structure (Non-discounted flows)

Maturity Profile	Up to 90 days		91 days to 1 year		13 months to 3 years		3 to 5 years		More than 5 years	
	TH\$	Contract Interest Rate	TH\$	Contract Interest Rate	TH\$	Contract Interest Rate	TH\$	Contract Interest Rate	TH\$	Contract Interest Rate
Bank loans	1,041,338	4.41%	2,715,853	4.41%	57,260,479	4.14%	45,634,973	4.39%	0	0.00%
Bonds	1,778,473	3.57%	25,618,288	3.88%	79,543,173	3.87%	52,569,080	3.95%	701,535,463	3.67%
AFR	5,301,833	4.88%	22,153,186	4.35%	30,846,449	3.81%	25,108,694	3.28%	150,580,672	3.34%
Trade debt and other accounts payable	100,422,908	0.00%	11,889,112	0.00%	231,579	0.00%	166,639	0.00%	551,190	0.00%
Totals	108,544,552		62,376,439		167,881,680		123,479,386		852,667,325	

Liquidity risk is controlled periodically in order to perceive, detect and correct deviations for mitigating the possible effects on earnings.

iii. Interest rate risk

The Company has an interest-rate structure of both floating and fixed rates, as shown in the following table:

Debt Instrument	Rate	%
Bank loans	Variable	11.46%
Bonds	Fixed	65.72%
AFRs	Fixed	22.82%
Total		100.00%

Interest rate sensitivity analysis

A rate analysis is made, with respect to the TAB (Banking Asset Rate), assuming all other variables remain constant. The method consists of measuring the positive or negative changes in nominal TAB at the date of presentation of the report with respect to the average TAB of the latest setting of the loans.

The analysis method is based on historic data with respect to the average daily market price of 180-day TAB over the past 3 years to the date of the report, with a reliability level of 95%.

Company	Nominal Amount of Debt (TH\$)	Variable Rate	Points (+/-)	Impact on Result (TH\$) (+/-)
Inversiones Aguas Metropolitanas S.A. Consolidado	97,424,076	TAB 180 days	4.60	44,855

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 4.60 basis points, calculated annually, would have an impact on earnings of +/- Th\$44,855

8.6 CASH EQUIVALENTS

The detail by type of instrument for each Company is as follows:

COMPANY	INSTRUMENTS	31-12-2016 TH\$	31-12-2015 TH\$
Inversiones Aguas Metropolitanas S.A.	Term Deposit	0	750,535
Inversiones Aguas Metropolitanas S.A.	Mutual funds	1,183,548	0
Aguas Andinas S.A.	Term Deposit	25,015,658	18,074,577
Aguas Cordillera S.A.	Term Deposit	8,887,528	8,074,280
Aguas Manquehue S.A.	Term Deposit	840,410	400,040
Aguas del Maipo S.A.	Term Deposit	90,016	1,000,103
Gestión y Servicios S.A.	Term Deposit	930,418	430,043
Eco-Riles S.A.	Term Deposit	1,420,575	1,250,225
Essal S.A.	Term Deposit	0	1,326,000
Totals		38,368,153	31,305,803

The Company and subsidiaries make investments with portfolio limits of a maximum of 40% of the total per issuing Institution, and limits for types of instruments: for mutual funds, 10% of the cash equity of the mutual fund; term deposits, 10% of the bank’s cash equity.

8.7 TRADE ACCOUNTS AND OTHER CURRENT AND NONCURRENT ACCOUNTS PAYABLE

The principal concepts included in this account are the following:

TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE, CURRENT	CURRENCY OR INDEXATION UNIT	31-12-2016 TH\$	31-12-2015 TH\$
Dividends	CLP	34,433,864	30,914,349
Suppliers for investment in progress (investment)	CLP	28,999,464	31,670,805
Personnel	CLP	3,167,231	2,923,640
Suppliers (expense)	CLP	17,439,443	13,780,277
Suppliers (expense)	USD	98,320	99,358
Suppliers (expense)	EUR	15,216	30,231
Suppliers (investment)	CLP	8,409,385	6,346,511
Accrued services	CLP	17,722,874	14,881,912
AFR (expense)	CLP	1,369,276	706,829
Others (expense)	CLP	656,947	735,915
Others (investment)	CLP	0	647
Sub-total current		112,312,020	102,090,474
AFR potable water	CLP	698,095	703,187
Suppliers for investments in progress	CLP	180,917	1,056,404
Various creditors	CLP	70,396	70,395
Sub-total non-current		949,408	1,829,986
Total current and noncurrent		113,261,428	103,920,460

Information regarding the trade accounts according to maturity date is provided below:

Trade Accounts

CURRENT PERIOD

CURRENT TRADE ACCOUNTS ACCORDING TO TERM	31-12-2016			
	GOODS	SERVICES	OTHERS	TOTAL
To 30 days	2,811,143	10,267,940	201,588	13,280,671
From 31 to 60 days	161,139	298,461	0	459,600
Total	2,972,282	10,566,401	201,588	13,740,271

PREVIOUS PERIOD

OVERDUE TRADE ACCOUNTS ACCORDING TO TERM	31-12-2015			
	GOODS	SERVICES	OTHERS	TOTAL
To 30 days	2,809,208	8,202,770	55,699	11,067,677
From 31 to 60 days	235,353	36,490	0	271,843
From 61 to 90 days	45	275	0	320
From 91 to 120 days	0	18,073	0	18,073
Total	3,044,606	8,257,608	55,699	11,357,913

CURRENT TRADE ACCOUNTS ACCORDING TO TERM	31-12-2016			
	GOODS	SERVICES	OTHERS	TOTAL
To 30 days	1,638,257	1,509,769	23,633	3,171,659
From 31 to 60 days	369	164,982	0	165,351
From 61 to 90 days	57	61,556	28	61,641
From 91 to 120 days	96	154,516	14	154,626
From 121 to 365 days	9,382	41,781	0	51,163
More than 365 days	660	15,489	0	16,149
Total	1,648,821	1,948,093	23,675	3,620,589

OVERDUE TRADE ACCOUNTS ACCORDING TO TERM	31-12-2015			
	GOODS	SERVICES	OTHERS	TOTAL
To 30 days	118,874	260,582	108	379,564
From 31 to 60 days	1,389,843	186,844	5,995	1,582,682
From 61 to 90 days	141,142	47,134	21	188,297
From 91 to 120 days	12,106	8,664	0	20,770
From 121 to 365 days	24,104	86,260	553	110,917
More than 365 days	12,956	37,380	100	50,436
Total	1,699,025	626,864	6,777	2,332,666

8.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments booked at amortized cost.

The following summarizes the fair values of the principal assets and financial obligations, including those that are not shown at fair value in the consolidated statement of financial position:

	AMORTIZED COST TH\$ 31-12-2016	FAIR VALUE TH\$ 31-12-2016
CASH EQUIVALENTS		
Investments booked at fair value	38,368,153	38,368,153
Term deposits, level 1	37,184,605	37,184,605
Mutual funds, level 1	1,183,548	1,183,548
OTHER FINANCIAL LIABILITIES		
Financial liabilities booked at amortized cost	851,633,155	898,860,913
Bank debt, level 2	97,649,487	100,804,600
Bonds, level 1	559,654,010	603,726,655
AFR, level 3	194,329,658	194,329,658

Methodology and assumptions used in the calculation of fair value

The fair values of financial assets and liabilities were determined using the following methodology:

- a) The amortized cost of deposits is a good approximation of fair value as they are very short-term operations.
- b) The amortized cost of AFR liabilities is a good approximation of fair value as they are not very liquid in the market but their issue rate is determined in line with the regulation (Decree Law N° 70).
- c) The fair value of bonds was determined based on market price references as these instruments are traded on the market under normal conditions and with a high level of liquidity.

d) The fair value of bank debt was determined through the updating of the cash flows of each loan (principal and interest disbursements), applying the discount curves corresponding to the remaining term. This term corresponds to the number of days between the closing date of the financial statements and the date of the cash disbursement.

Booking hierarchy of fair value measurements in the Consolidated Financial Information Statements

- Level 1 relates to fair-value measurement methodologies by market quotes (without adjustments) in active markets and considering the same assets and liabilities valued.
- Level 2 relates to fair-value measurement methodologies from market quotation data not

- included in Level 1, observable for the assets and liabilities valued, whether directly (prices) or indirectly (derivative of the prices).
- Level 3 relates to fair-value measurement methodologies by valuation techniques which include data on the assets and liabilities valued, that are not based on observable market data.

8.9 Other noncurrent financial assets

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of Th\$7,774,928 as of December 31, 2016 and Th\$7,542,162 as of December 31, 2015 (see Note 2.2, letter h, ii), over which the Group has no control or significant influence. The balance as of December 31, 2016 and 2015 of Th\$17,517 relates to other financial investments in both periods.

Related to this acquisition is an obligation with the Asociación Sociedad de Canalistas del Maipo not to move the location of water rights in place at the time of contracting, for an amount of Th\$ 7,294,709 as of December 31, 2016 and 2015.

NOTE 9. INFORMATION ON RELATED ENTITIES

BALANCES AND TRANSACTIONS WITH RELATED ENTITIES

Transactions between the Company and its subsidiaries are in line with market conditions. These transactions have been eliminated in the consolidation and are not detailed in this note.

ACCOUNTS RECEIVABLE FROM RELATED ENTITIES

Accounts receivable from related entities are originated in Chile, the currency of the transactions is Pesos, and the maturity dates are 30 days.

TAX ID RELATED PARTY	NAME OF RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION WITH RELATED PARTIES	SECURITY	31-12-2016 TH\$	31-12-2015 TH\$
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	Laboratory and sampling services	Unsecured	3,504	3,993
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	Collector Cleaning contract	Unsecured	0	631
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Laboratory and sampling services	Unsecured	80,693	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Collector Cleaning contract	Unsecured	1,080	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Tenders for Proposal Base	Unsecured	66	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Laboratory and sampling services	Unsecured	0	12,447
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Advice provided as support for technical inspection of effluent treatment plants at CMPC Santa Fe, Frutos del Maipo Project	Unsecured	21,978	0
59.066.560-6	Suez International	Related to the Controller	Rebate of advance for equipment supplies, assembly and start-up of the second stage of the Mapocho Wastewater Treatment Plant, module 4	Security full compliance with contract for UF 218,320	1,140,331	5,101,953
76.432.328-9	Gestión Hídrica Minera Ltda.	Related to the Controller	Collector Cleaning contract	Unsecured	0	1,285
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Sale of materials	Unsecured	28,215	104,311
Total					1,275,867	5,224,620

ACCOUNTS PAYABLE TO RELATED ENTITIES

Accounts receivable to related entities are originated in Chile and the currency of the transactions is Pesos.

TAX ID RELATED PARTY	NAME OF RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION WITH RELATED PARTIES	Period	SECURITY	31-12-2016 TH\$	31-12-2015 TH\$
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Hydraulic Efficiency Project	30 days	Security compliance with contract. Amount UF: 14.992	274,911	2,098,422
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Cleaning service contract for potable water networks (Ice-Pigging)	30 days	Security compliance with contract. Amount Th\$26.600	107,442	125,398
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Construction and expansion of La Union sludge line	30 days	Security compliance with contract. Amount Th\$47.110	23,359	33,157
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Rio Bueno Sludge Plant	30 days	Unsecured	11,477	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Upgrading service of operations and security of the Pudeto and Gamboa Tranques	30 days	Security compliance with contract. AmountTh\$705	14,729	109,157
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	SCADA Platform	30 days	Unsecured	20,210	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	San Antonio Arsenic Plant	30 days	Security compliance with contract. Amount \$24.264	2,210,511	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Chemisero Plant	30 days	Security compliance with contract. Amount UF 66.809,74	2,233,069	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Modeling of odor panels Chañaral plant.	30 days	Unsecured	14,084	46,367
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Siebel Virtual Platform	30 days	Unsecured	295,079	0
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Purchase of materials	60 days	Security compliance with contract. Amount Th\$279.298	170,957	413,111
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Implementation of geographic information system Essal S.A.	30 days	Security compliance with contract. Amount UF887	14,164	188,030
76.046.628-K	Asterión S.A.	Related to the Controller	Reengineering service contract for implementation of our customer service information systems	30 days	Security full compliance with contract for Th\$845.149	157,544	404,277
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	La Farfana Wastewater Treatment Plant operation and maintenance services	30 days	Ensure strict compliance with obligations arising from the contract. Amount UF194.249,62	3,296,972	3,068,251
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	El Trebal Wastewater Treatment Plant services of operation and maintenance and construction, operation and maintenance of Mapocho Wastewater Treatment Plant	90 days	Security full compliance with contract for UF357.863	2,363,175	2,246,174
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	Biogas Plant operation services	30 days	Unsecured	79,376	152,930
Sin Rut	Aqua Development Network S.A.	Related to the Controller	Integrated talent management contract	30 days	Unsecured	44,165	11,705
77.329.730-4	Suez Inversiones Aguas del Gran Santiago	Controller	Dividends payable	30 days	Unsecured	708,326	11,503,385
76.712.370-1	Suez Andina S.A.	Related to the Controller	Dividends payable	30 days	Unsecured	11,905,982	0
96.817.230-1	EPSA Eléctrica Puntilla S.A.	Common Director	Recalculation of energy supply	30 days	Unsecured	9,044	18,182
70.009.410-3	Asociación Canalistas sociedad del canal del Maipo	Common Director	Exceptional transfer of water	30 days	Unsecured	0	32,901
65.113.732-2	Corporación Chilena de Investigación del Agua	Related to the Controller	Advisory and Consulting Services	30 days	Unsecured	69,466	0
59.066.560-6	Suez International	Related to the Controller	Payment statement for supply of equipment, installation and launch of the second phase of the Mapocho Wastewater Treatment Plant, module 4	30 days	Security full compliance with contract for UF 218,320	4,169,729	14,896,242
Totals						28,193,771	35,347,689

TRANSACTIONS WITH RELATED ENTITIES

Transactions with related entities are originated in Chile and the currency of the transactions is pesos.

TAX ID RELATED PARTY	NAME OF RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION WITH RELATED PARTIES	31-12-2016 TH\$		31-12-2015 TH\$	
				AMOUNT	EFFECT ON EARNINGS (CHARGE) /CREDIT	AMOUNT	EFFECT ON EARNINGS (CHARGE) /CREDIT
79.046.628-K	Asterión S.A.	Related to the Controller	Reengineering service contract for implementation of our customer service information systems	799,652	-743,230	1,046,759	-1,039,536
Sin Rut	Aqua Development Network	Related to the Controller	Integrated talent management contract	753,429	-753,429	245,183	-245,183
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Purchase of materials	2,275,124	-1,594,194	2,647,760	-2,541,821
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Ice-Pigging network cleaning service contract	303,081	-303,081	361,832	-361,832
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Lo Pinto Project	0	0	574,570	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Chamisero Plant	3,675,000	0	0	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	Hydraulic Efficiency Project	179,218	-83,218	1,677,359	-3,914
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	San Antonio Arsenic Plant	3,040,561	0	0	0
59.066.560-6	Suez International	Related to the Controller	Payment statement for supply of equipment, installation and launch of the second phase of the Mapocho Wastewater Treatment Plant, module 4	22,144,406	0	21,582,632	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	El Trebal Wastewater Treatment Plant services of operation and maintenance and construction, operation and maintenance of Mapocho Wastewater Treatment Plant	12,169,065	-10,853,222	11,668,999	-10,347,928
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	La Farfana Wastewater Treatment Plant operation and maintenance services	17,170,776	-13,513,945	16,402,789	-13,092,834
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Common Director	Dividends received	217,048	-217,048	247,421	-247,421
96.817.230-1	EPSA Eléctrica Puntilla S.A.	Common Director	Compensation for lower flow	0	0	157,771	0
96.817.230-1	EPSA Eléctrica Puntilla S.A.	Controller	Dividends paid	141,515	-141,515	746,295	-746,295
77.329.730-4	Suez Inversiones Aguas del Gran Santiago Ltda.	Related to the Controller	Reengineering service contract for implementation of our customer service information systems	35,818,348	0	33,230,257	0

The criteria of materiality for reporting transactions with related entities are accumulated amounts of over Th\$100,000.

COMPENSATION PAID TO THE BOARD MEMBERS OF INVERSIONES AGUAS METROPOLITANAS S.A.'S BOARD MEMBERS AND SUBSIDIARIES, AND TO THE BOARD MEMBERS' COMMITTEE

	31-12-2016 TH\$	31-12-2015 TH\$
Board of Directors	807,396	707,700
Board Members' Committee	90,726	83,586
Total	898,122	791,286

These are fees related to their functions as Board Members and Directors' Committee as defined and agreed by the Ordinary Shareholders' Meeting.

1. At the end of 2016, the list of the Company and its subsidiaries' senior managers and executives was composed of 87 professionals. The total remuneration received in the year war \$9,204 million and the compensations for years of service amounted to \$702 million.

DETAIL OF RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES BY BOARD MEMBERS AND EXECUTIVES.

The Company's management is unaware of any transactions between related parties and directors and/or executives, other than their fees and compensation.

NOTE 10. INVENTORIES

The detail by class of inventories through December 31, 2016 and 2015 is the following:

INVENTORY CLASS	31-12-2016 TH\$	31-12-2015 TH\$
Commodities	2,423,788	2,853,623
Supplies for production	752,216	676,780
Other inventories	133,941	113,297
Total	3,309,945	3,643,700

The cost of the inventories shown as an expense in the statement of earnings during as of December 31st, 2016 and 2015 amounts to Th\$11,127,313 and Th\$10,588,122, respectively.

NOTE 11. INTANGIBLE ASSETS OTHER THAN GOODWILL

The following shows the required information on the Company's intangible assets, as per IAS 38 Intangible Assets:

	31-12-2016 TH\$	31-12-2015 TH\$
Intangible assets, net	227,951,484	230,527,689
Trademarks, net	13,000	13,000
Computer programs, net	9,203,521	11,875,731
Other intangible assets, net*	218,734,963	218,638,958
Intangible assets, gross	276,075,948	272,921,827
Trademarks, gross	13,000	13,000
Computer programs, gross	44,760,678	41,889,777
Other intangible assets, gross	231,302,270	231,019,050
Intangible assets, accumulated amortization	48,124,464	42,394,138
Computer programs, accumulated amortization	35,557,157	30,014,046
Other intangible assets, accumulated amortization	12,567,307	12,380,092

* Corresponds to water rights, easements and others.

MOVEMENT OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2016

INTANGIBLE ASSET MOVEMENTS	TRADEMARKS, NET TH\$	COMPUTER PROGRAMS, NET TH\$	OTHER INTANGIBLE ASSETS, NET TH\$	TOTAL TH\$
Initial balance on 01-01-2016	13,000	11,875,731	218,638,958	230,527,689
Amortization	0	-5,517,913	-187,215	-5,705,128
Increases (reductions) for transfers	0	850,640	-36,626	814,014
Increases (reductions) for other changes	0	1,995,063	581,823	2,576,886
Disposals and withdrawals from service	0	0	-261,977	-261,977
Changes, total	0	-2,672,210	96,005	-2,576,205
Closing balance on 31-12-2016	13,000	9,203,521	218,734,963	227,951,484

MOVEMENT OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2015

INTANGIBLE ASSET MOVEMENTS	TRADEMARKS, NET TH\$	COMPUTER PROGRAMS, NET TH\$	OTHER INTANGIBLE ASSETS, NET TH\$	TOTAL TH\$
Initial balance on 01-01-2015	13,000	15,439,243	216,722,507	232,174,750
Amortization	0	-6,650,309	-187,215	-6,837,524
Increases (reductions) for transfers	0	885,153	-32,591	852,562
Increases (reductions) for other changes	0	2,201,644	2,137,636	4,339,280
Disposals and withdrawals from service	0	0	-1,379	-1,379
Changes, Total	0	-3,563,512	1,916,451	-1,647,061
Closing balance on 31-12-2015	13,000	11,875,731	218,638,958	230,527,689

DISCLOSURE INFORMATION ON INTANGIBLE ASSETS (GROSS VALUE)

Current Period 31-12-2016

INTANGIBLE ASSET MOVEMENTS	TRADEMARKS, GROSS TH\$	COMPUTER PROGRAMS, GROSS TH\$	OTHER INTANGIBLE ASSETS, GROSS TH\$	TOTAL TH\$
Initial Balance on 01-01-2016	13,000	41,889,777	231,019,050	272,921,827
Increases (reductions) for transfers	0	880,240	-36,626	843,614
Increases (reductions) for other changes	0	1,995,063	581,823	2,576,886
Disposals and withdrawals from service	0	-4,402	-261,977	-266,379
Changes, Total	0	2,870,901	283,220	3,154,121
Closing balance on 31-12-2016	13,000	44,760,678	231,302,270	276,075,948

Previous Period 31-12-2015

INTANGIBLE ASSET MOVEMENTS	TRADEMARKS, GROSS TH\$	COMPUTER PROGRAMS, GROSS TH\$	OTHER INTANGIBLE ASSETS, GROSS TH\$	TOTAL TH\$
Initial Balance on 01-01-2015	13,000	38,804,351	228,915,384	267,732,735
Increases (reductions) for transfers	0	885,153	-32,591	852,562
Increases (reductions) for other changes	0	2,200,273	2,137,636	4,337,909
Disposals and withdrawals from service	0	0	-1,379	-1,379
Changes, Total	0	3,085,426	2,103,666	5,189,092
Closing balance on 31-12-2015	13,000	41,889,777	231,019,050	272,921,827

DISCLOSURE INFORMATION ON INTANGIBLE ASSETS (ACCUMULATED AMORTIZATION)

Current Period 31-12-2016

INTANGIBLE ASSET MOVEMENTS	COMPUTER PROGRAMS, ACCUMULATED AMORTIZATION TH\$	OTHER INTANGIBLE ASSETS, ACCUMULATED AMORTIZATION TH\$	TOTAL TH\$
Initial Balance on 01-01-2016	30,014,046	12,380,092	42,394,138
Amortization	5,517,913	187,215	5,705,128
Increases (reductions) for transfers	29,600	0	29,600
Disposals and withdrawals from service	-4,402	0	-4,402
Changes, total	5,543,111	187,215	5,730,326
Closing balance on 31-12-2016	35,557,157	12,567,307	48,124,464

Previous period 31-12-2015

INTANGIBLE ASSET MOVEMENTS	COMPUTER PROGRAMS, ACCUMULATED AMORTIZATION TH\$	OTHER INTANGIBLE ASSETS, ACCUMULATED AMORTIZATION TH\$	TOTAL TH\$
Initial Balance on 01-01-2015	23,365,108	12,192,877	35,557,985
Amortization	6,650,309	187,215	6,837,524
Disposals and withdrawals from service	-1,371	0	-1,371
Changes, total	6,648,938	187,215	6,836,153
Closing balance on 31-12-2015	30,014,046	12,380,092	42,394,138

Detail of significant individual intangible assets (others):

Water rights and easements are the principal intangible assets with indefinite useful lives; their detail by company is as follows:

COMPANY	31-12-2016			31-12-2015		
	WATER RIGHTS TH\$	EASEMENT TH\$	OTHERS TH\$	WATER RIGHTS TH\$	EASEMENT TH\$	OTHERS TH\$
Aguas Andinas S.A.	75,928,312	8,182,421	4,949,427	75,950,169	8,062,219	5,135,351
Aguas Cordillera S.A.	92,702,863	7,761,746	0	92,684,130	7,866,530	0
Aguas Manquehue S.A.	21,814,071	744,190	0	21,490,797	857,614	0
Essal S.A.	5,509,828	1,087,305	0	5,450,043	1,087,305	0
Aguas del Maipo S.A.	13,700	0	0	13,700	0	0
Ecoriles S.A.	13,700	0	0	13,700	0	0
Gestión y Servicios S.A.	13,700	0	0	13,700	0	0
Análisis Ambientales S.A.	13,700	0	0	13,700	0	0
Totals	196,009,874	17,775,662	4,949,427	195,629,939	17,873,668	5,135,351

Intangible assets with undefined useful lives

Both the water rights and easements are rights of the Company for which it is not possible to establish a foreseeable useful life, i.e. the period of economic benefits associated with these assets are indefinite. Both assets are legal rights that are not extinguished nor affected by restrictions.

Commitments for acquiring intangible assets

Commitments for acquisitions of intangible assets for 2017 relate to water rights, easements and computer programs necessary for the normal operation of the Group’s companies, and in particular for new works under development or in preliminary study stages, plus the expansion of concession zones, shown as follows:

COMPANY	TH\$
Aguas Andinas S.A.	1,942,507
Análisis Ambientales S.A.	175,000
Aguas Manquehue S.A.	70,000
Aguas Cordillera S.A.	15,000
Essal S.A.	10,000
Gestión y Servicios S.A.	1,891
Total	2,214,398

NOTE 12. GOODWILL

The detail of goodwill follows for the different Cash Generating Units (CGUs) or groups to which they are assigned, through December 31, 2016 and 2015:

TAX ID	COMPANY	31-12-2016 TH\$	31-12-2015 TH\$
61.808.000-5	Aguas Andinas S.A.	271,348,419	271,348,419
96.809.310-k	Aguas Cordillera S.A.	33,823,049	33,823,049
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	343,332	343,332
96.897.320-7	Inversiones Iberaguas Ltda.	2,066,631	2,066,631
Total		307,581,431	307,581,431

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	31-12-2016 TH\$	31-12-2015 TH\$
Property, plant and equipment, net	1,294,600,803	1,248,153,912
Land	160,070,637	160,423,927
Buildings	74,440,293	74,367,058
Machinery	99,319,683	103,877,227
Transportation equipment	1,885,570	2,140,112
Appliances and accessories	706,186	688,124
Computer equipment	2,660,578	2,487,704
Improvements in leasing rights	61,285	83,068
Constructions in progress	180,506,784	144,232,818
Complementary works	21,252,123	21,048,281
Production installations	162,939,794	149,021,755
Potable Water Network	163,124,828	155,110,210
Sewerage system	247,188,146	250,020,266
Wastewater treatment plants	143,756,791	147,687,828
Other installations	36,448,254	36,724,335
Property out of service	239,851	241,199
Property, plant and equipment, gross	2,446,902,167	2,342,318,462
Land	160,070,637	160,423,927
Buildings	103,580,338	101,522,741
Machinery	318,823,106	303,933,280
Transportation equipment	6,341,474	6,455,054
Appliances and accessories	5,297,680	5,176,598
Computer equipment	11,410,302	10,186,447
Improvements in leasing rights	611,414	605,304
Constructions in progress	180,506,784	144,232,818
Complementary works	40,632,428	38,974,876
Production installations	305,539,500	286,207,959
Potable Water Network	474,364,900	459,581,460
Sewerage system	508,150,937	499,081,889
Wastewater treatment plants	197,861,144	197,838,500
Other installations	131,523,642	125,917,608
Property out of service	2,187,881	2,180,001
Accumulated depreciation	1,152,301,364	1,094,164,550
Buildings	29,140,045	27,155,683
Machinery	219,503,423	200,056,053
Transportation equipment	4,455,904	4,314,942
Appliances and accessories	4,591,494	4,488,474
Computer equipment	8,749,724	7,698,743
Improvements in leasing rights	550,129	522,236
Complementary works	19,380,305	17,926,595
Production installations	142,599,706	137,186,204
Potable Water Network	311,240,072	304,471,250
Sewerage system	260,962,791	249,061,623
Wastewater treatment plants	54,104,353	50,150,672
Other installations	95,075,388	89,193,273
Property out of service	1,948,030	1,938,802

Below is the information regarding major shares of the companies of the Group.

	31-12-2016 TH\$	AGUAS ANDINAS S.A %	AGUAS CORDILLERA S.A %	AGUAS MANQUEHUE S.A %	ESSAL S.A. %	OTHERS %
Properties, plants and equipment, net	1,294,600,803	76%	8%	4%	11%	1%
Land	160,070,637	75%	13%	1%	11%	0%
Buildings	74,440,293	74%	4%	2%	18%	3%
Machinery	99,319,683	77%	6%	3%	11%	2%
Transportation equipment	1,885,570	87%	0%	0%	4%	9%
Appliances and accessories	706,186	33%	1%	0%	24%	41%
Computer equipment	2,660,578	86%	0%	0%	10%	3%
Improvements in leasing rights	61,285	13%	0%	0%	0%	87%
Constructions in progress	180,506,784	75%	9%	5%	11%	0%
Complementary works	21,252,123	80%	5%	3%	12%	1%
Production installations	162,939,794	64%	14%	14%	8%	0%
Potable Water Network	163,124,828	67%	18%	2%	12%	0%
Sewerage system	247,188,146	83%	2%	4%	11%	0%
Wastewater treatment plants	143,756,791	93%	0%	0%	7%	0%
Other installations	36,448,254	68%	8%	8%	13%	2%
Property out of service	239,851	34%	66%	0%	0%	0%

In accordance with what is established in IAS 16, paragraph 79, letter d, the Group presents information on the reasonable value of its main assets:

CLASS OF ASSETS	COST 31-12-2016 TH\$	REASONABLE VALUE 31-12-2016 TH\$
Buildings	74,440,293	111,201,059
Complementary works	21,252,123	36,859,150
Production installations	162,939,794	280,078,364
Potable Water Network	163,124,828	423,879,665
Sewerage system	247,188,146	444,489,397
Wastewater treatment plants	143,756,791	163,262,607
Other installations	36,448,254	38,241,095
Machinery and equipment	99,319,683	124,639,910
Total valued	948,469,912	1,622,651,247

RECONCILIATION OF CHANGES IN PROPERTY,PLANT AND EQUIPMENT BY CLASS

As required by IAS 16, paragraph 73, the following is information on each of the Company’s classes of property, plant and equipment.

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT THROUGH DECEMBER 31, 2016 (NET VALUE)

CONCEPT	INITIAL BALANCE TH\$	DEPRECIATION TH\$	INCREASES (DECREASES) FOR TRANSFERS FROM CONSTRUCTION IN PROGRESS TH\$	INCREASES (DECREASES) FOR OTHER CHANGES TH\$	DISPOSALS & WITHDRAWALS FROM SERVICE TH\$	TOTAL CHANGES TH\$	CLOSING BALANCE TH\$
Land	160,423,927	0	39,568	-374,897	-17,961	-353,290	160,070,637
Buildings	74,367,058	-1,996,991	1,216,496	906,270	-52,540	73,235	74,440,293
Machinery	103,877,227	-21,106,407	15,233,248	1,519,750	-204,135	-4,557,544	99,319,683
Transportation equipment	2,140,112	-544,319	61,542	245,023	-16,788	-254,542	1,885,570
Appliances and accessories	688,124	-114,232	45,651	86,646	-3	18,062	706,186
Computer equipment	2,487,704	-1,294,088	250,610	1,216,474	-122	172,874	2,660,578
Improvements in leasing rights	83,068	-27,893	1,356	4,754	0	-21,783	61,285
Constructions in progress	144,232,818	0	-47,756,099	85,246,536	-1,216,471	36,273,966	180,506,784
Complementary works	21,048,281	-1,453,845	908,308	749,626	-247	203,842	21,252,123
Production installations	149,021,755	-5,722,133	15,733,702	4,040,989	-134,519	13,918,039	162,939,794
Potable Water Network	155,110,210	-6,771,912	6,963,502	7,823,028	0	8,014,618	163,124,828
Sewerage system	250,020,266	-11,901,067	2,463,372	6,605,575	0	-2,832,120	247,188,146
Wastewater treatment plants	147,687,828	-4,450,160	120,471	557,909	-159,257	-3,931,037	143,756,791
Other installations	36,724,335	-5,919,380	3,853,169	1,790,281	-151	-276,081	36,448,254
Property out of service	241,199	-9,228	21,475	-13,595	0	-1,348	239,851
Classes of Property, plant and equipment, net	1,248,153,912	-61,311,655	-843,629	110,404,369	-1,802,194	46,446,891	1,294,600,803

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT THROUGH DECEMBER 31, 2015 (NET VALUE)

CONCEPT	INITIAL BALANCE TH\$	DEPRECIATION TH\$	INCREASES (DECREASES) FOR TRANSFERS FROM CONSTRUCTION IN PROGRESS TH\$	INCREASES (DECREASES) FOR OTHER CHANGES TH\$	DISPOSALS & WITHDRAWALS FROM SERVICE TH\$	TOTAL CHANGES TH\$	CLOSING BALANCE TH\$
Land	158,072,457	0	42,834	2,346,709	-38,073	2,351,470	160,423,927
Buildings	74,015,778	-1,959,251	5,015,753	-968,061	-1,737,161	351,280	74,367,058
Machinery	112,456,726	-21,459,570	5,952,997	7,595,414	-668,340	-8,579,499	103,877,227
Transportation equipment	2,452,648	-515,791	326,337	-104,189	-18,893	-312,536	2,140,112
Appliances and accessories	600,989	-129,494	70,162	337,998	-191,531	87,135	688,124
Computer equipment	2,351,196	-1,291,298	562,101	866,244	-539	136,508	2,487,704
Improvements in leasing rights	77,977	-26,693	1,940	29,844	0	5,091	83,068
Constructions in progress	72,421,357	0	-24,476,822	96,326,853	-38,570	71,811,461	144,232,818
Complementary works	20,792,593	-1,396,509	726,045	1,026,503	-100,351	255,688	21,048,281
Production installations	150,376,845	-5,601,736	2,474,097	1,810,280	-37,731	-1,355,090	149,021,755
Potable Water Network	153,225,916	-7,094,529	2,285,004	6,710,931	-17,112	1,884,294	155,110,210
Sewerage system	251,463,672	-11,949,269	2,681,098	7,824,763	2	-1,443,406	250,020,266
Wastewater treatment plants	150,352,944	-4,437,505	1,907,573	-30,531	-104,653	-2,665,116	147,687,828
Other installations	39,519,012	-5,693,528	1,578,320	1,402,813	-82,282	-2,794,677	36,724,335
Property out of service	251,038	-9,840	0	0	1	-9,839	241,199
Classes of Property, plant and equipment, net	1,188,431,148	-61,565,013	-852,561	125,175,571	-3,035,233	59,722,764	1,248,153,912

DISCLOSURE INFORMATION FOR PROPERTY, PLANT AND EQUIPMENT (GROSS VALUE)

Current Period 31-12-2016

CONCEPT	INITIAL BALANCE TH\$	INCREASES (DECREASES) FOR TRANSFERS FROM CONSTRUCTION IN PROGRESS TH\$	INCREASES (DECREASES) FOR OTHER CHANGES TH\$	DISPOSALS & WITHDRAWALS FROM SERVICE TH\$	TOTAL CHANGES TH\$	CLOSING BALANCE TH\$
Land	160,423,927	39,568	-374,897	-17,961	-353,290	160,070,637
Buildings	101,522,741	1,216,496	906,270	-65,169	2,057,597	103,580,338
Machinery	303,933,280	15,233,248	1,506,349	-1,849,771	14,889,826	318,823,106
Transportation equipment	6,455,054	61,542	258,134	-433,256	-113,580	6,341,474
Appliances and accessories	5,176,598	45,651	86,674	-11,243	121,082	5,297,680
Computer equipment	10,186,447	250,610	1,216,459	-243,214	1,223,855	11,410,302
Improvements in leasing rights	605,304	1,356	4,754	0	6,110	611,414
Constructions in progress	144,232,818	-47,756,099	85,246,536	-1,216,471	36,273,966	180,506,784
Complementary works	38,974,876	908,308	749,625	-381	1,657,552	40,632,428
Production installations	286,207,959	15,733,702	4,024,156	-426,317	19,331,541	305,539,500
Potable Water Network	459,581,460	6,963,502	7,819,938	0	14,783,440	474,364,900
Sewerage system	499,081,889	2,463,372	6,605,676	0	9,069,048	508,150,937
Wastewater treatment plants	197,838,500	120,471	557,045	-654,872	22,644	197,861,144
Other installations	125,917,608	3,853,169	1,784,431	-31,566	5,606,034	131,523,642
Property out of service	2,180,001	21,475	-13,595	0	7,880	2,187,881
Classes of Property, plant and equipment, gross	2,342,318,462	-843,629	110,377,555	-4,950,221	104,583,705	2,446,902,167

Previous period 31-12-2015

CONCEPT	INITIAL BALANCE TH\$	INCREASES (DECREASES) FOR TRANSFERS FROM CONSTRUCTION IN PROGRESS TH\$	INCREASES (DECREASES) FOR OTHER CHANGES TH\$	DISPOSALS & WITHDRAWALS FROM SERVICE TH\$	TOTAL CHANGES TH\$	CLOSING BALANCE TH\$
Land	158,072,457	42,834	2,346,709	-38,073	2,351,470	160,423,927
Buildings	99,239,758	5,015,753	-968,061	-1,764,709	2,282,983	101,522,741
Machinery	291,405,891	5,952,997	7,595,471	-1,021,079	12,527,389	303,933,280
Transportation equipment	6,315,773	326,337	-104,188	-82,868	139,281	6,455,054
Appliances and accessories	4,992,811	70,162	338,007	-224,382	183,787	5,176,598
Computer equipment	8,777,555	562,101	866,244	-19,453	1,408,892	10,186,447
Improvements in leasing rights	573,520	1,940	29,844	0	31,784	605,304
Constructions in progress	72,421,357	-24,476,822	96,326,853	-38,570	71,811,461	144,232,818
Complementary works	37,349,137	726,045	1,026,423	-126,729	1,625,739	38,974,876
Production installations	282,251,947	2,474,097	1,810,280	-328,365	3,956,012	286,207,959
Potable Water Network	450,887,860	2,285,004	6,707,060	-298,464	8,693,600	459,581,460
Sewerage system	488,576,062	2,681,098	7,828,658	-3,929	10,505,827	499,081,889
Wastewater treatment plants	196,105,002	1,907,573	-30,531	-143,544	1,733,498	197,838,500
Other installations	123,036,289	1,578,320	1,402,804	-99,805	2,881,319	125,917,608
Property out of service	2,245,585	0	0	-65,584	-65,584	2,180,001
Classes of Property, plant and equipment, gross	2,222,251,004	-852,561	125,175,573	-4,255,554	120,067,458	2,342,318,462

DISCLOSURE INFORMATION FOR PROPERTY, PLANT AND EQUIPMENT (ACCUMULATED DEPRECIATION)

Current Period 31-12-2016

CONCEPT	INITIAL BALANCE TH\$	DEPRECIATION TH\$	INCREASES (DECREASES) FOR OTHER CHANGES TH\$	DISPOSALS & WITHDRAWALS FROM SERVICE TH\$	TOTAL CHANGES TH\$	CLOSING BALANCE TH\$
Buildings	27,155,683	1,996,991	0	-12,629	1,984,362	29,140,045
Machinery	200,056,053	21,106,407	-13,402	-1,645,635	19,447,370	219,503,423
Transportation equipment	4,314,942	544,319	13,111	-416,468	140,962	4,455,904
Appliances and accessories	4,488,474	114,232	28	-11,240	103,020	4,591,494
Computer equipment	7,698,743	1,294,088	-15	-243,092	1,050,981	8,749,724
Improvements in leasing rights	522,236	27,893	0	0	27,893	550,129
Complementary works	17,926,595	1,453,845	-1	-134	1,453,710	19,380,305
Production installations	137,186,204	5,722,133	-16,833	-291,798	5,413,502	142,599,706
Potable Water Network	304,471,250	6,771,912	-3,090	0	6,768,822	311,240,072
Sewerage system	249,061,623	11,901,067	101	0	11,901,168	260,962,791
Wastewater treatment plants	50,150,672	4,450,160	-864	-495,615	3,953,681	54,104,353
Other installations	89,193,273	5,919,380	-5,850	-31,415	5,882,115	95,075,388
Property out of service	1,938,802	9,228	0	0	9,228	1,948,030
Classes of Property, plant and equipment, accumulated depreciation	1,094,164,550	61,311,655	-26,815	-3,148,026	58,136,814	1,152,301,364

Previous Period 31-12-2015

CONCEPT	INITIAL BALANCE TH\$	DEPRECIATION TH\$	INCREASES (DECREASES) FOR OTHER CHANGES TH\$	DISPOSALS & WITHDRAWALS FROM SERVICE TH\$	TOTAL CHANGES TH\$	CLOSING BALANCE TH\$
Buildings	25,223,980	1,959,251	0	-27,548	1,931,703	27,155,683
Machinery	178,949,165	21,459,570	57	-352,739	21,106,888	200,056,053
Transportation equipment	3,863,125	515,792	0	-63,975	451,817	4,314,942
Appliances and accessories	4,391,822	129,494	9	-32,851	96,652	4,488,474
Computer equipment	6,426,359	1,291,298	0	-18,914	1,272,384	7,698,743
Improvements in leasing rights	495,543	26,693	0	0	26,693	522,236
Complementary works	16,556,544	1,396,509	-80	-26,378	1,370,051	17,926,595
Production installations	131,875,102	5,601,736	0	-290,634	5,311,102	137,186,204
Potable Water Network	297,661,944	7,094,529	-3,871	-281,352	6,809,306	304,471,250
Sewerage system	237,112,390	11,949,269	3,895	-3,931	11,949,233	249,061,623
Wastewater treatment plants	45,752,058	4,437,505	0	-38,891	4,398,614	50,150,672
Other installations	83,517,277	5,693,528	-9	-17,523	5,675,996	89,193,273
Property out of service	1,994,547	9,840	0	-65,585	-55,745	1,938,802
Classes of Property, plant and equipment, accumulated depreciation	1,033,819,856	61,565,014	1	-1,220,321	60,344,694	1,094,164,550

COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The detail of each Company of the Group, consolidated by the amount of future commitments for acquisitions of property, plant and equipment for the 2017 period, is as follows:

COMPANY	TH\$
Aguas Andinas S.A.	92,831,891
Essal S.A.	13,523,044
Aguas Manquehue S.A.	12,987,943
Aguas Cordillera S.A.	6,009,907
Análisis Ambientales S.A.	168,547
Ecoriles S.A.	72,542
Gestión y Servicios S.A.	18,816
Total	125,612,690

Elements of property, plant and equipment temporarily out of service:

COMPANY	GROSS VALUE TH\$	ACCUMULATED DEPRECIATION TH\$	NET VALUE TH\$
Aguas Andinas S.A.	1,913,549	-1,832,071	81,478
Aguas Cordillera S.A.	274,332	-115,959	158,373
Total	2,187,881	-1,948,030	239,851

NOTE 14. IMPAIRMENT OF VALUE OF ASSETS

DISCLOSURE INFORMATION ON ASSET IMPAIRMENT BY CASH GENERATING UNIT:

Each company as a whole is defined as a Cash Generating Unit (CGU), as each is individually capable of generating future economic benefits and represents the smallest group of assets that generate independent cash flows. According to the accounting standards, the Company will evaluate, at the close of each financial position statement, whether there is any sign of impairment of value of any asset. If there is, the Company will estimate the recoverable amount for the asset. For assets with an indefinite useful life and

for goodwill, the impairment test will at a minimum be made at the close of the period or when there are signs.

For intangible assets with indefinite useful life, e.g. water rights, a study was carried out to determine the values at market price, which are compared to the values assigned to them as costs at the date of adoption of the IFRS rules.

For lesser values, the calculation was made as to their useful value, considering the different companies as CGUs, using recent estimates of budgets over the medium term, determining the different parameters for according to models widely used in the market.

The parameters are set via the current information for benchmark risk free rates in the market, the useful life for each company and growth rates for regular income of the companies, looking at growth in the population and changes in consumption through the years.

The Company and subsidiaries make annual impairment tests of their intangible assets of indefinite useful life, and lesser investment value.

The respective tests for impairment were made for the years ending December 31st 2016 and 2015 based on the Group’s estimates and projections. These estimates indicated that the benefits attributable to the participations with lower associated values individually exceed their consolidated book values in all cases. Additionally, the intangible assets with indefinite useful lives were evaluated, resulting in a higher value registered on the books.

NOTE 15. PROVISIONS AND CONTINGENT LIABILITIES

A. PROVISIONS

The detail of these as of December 31, 2016 and December 31, 2015 is as follows:

CLASSES OF PROVISIONS	31-12-2016 TH\$	31-12-2015 TH\$
Provision for legal claims	2,628,225	547,288
Other provisions, current	2,628,225	547,288
Other provisions, non-current	1,277,574	1,239,995
Provisions, non-current	1,277,574	1,239,995

The movement in current provisions for the periods was:

LEGAL CLAIMS	31-12-2016 TH\$	31-12-2015 TH\$
Initial balance provisions	547,288	591,098
Increase in existing provisions	2,561,407	252,620
Provision used	-448,719	-237,035
Other increases (decreases)	-31,751	-59,395
Changes in provisions, Total	2,080,937	-43,810
Total	2,628,225	547,288

The provisions under this heading are described as follows:

1.-Legal claims

The Company makes the corresponding provision for lawsuits currently before the courts and about which there is some probability that the result might be unfavorable to the Company and subsidiaries. The following are the provisions for legal claims that might affect the Company:

a) Nature of class of provision: The Superintendence of Sanitation Services (SISS) has levied fines against Aguas Andinas S.A. and Subsidiaries, mainly for non-compliance with instructions and breach of the continuity and quality of the service provided by the Company. The total of the demands presented amount to Th\$ 946.650.-, of which Th\$ 795.062 were paid before the demand procedures began.

Timetable foreseen for release of class of provision:
Not determined.

Uncertainties about the timing and amount of a class of provision:

The Company believes it did not commit the breach and therefore that its appeals will be accepted.

b)Nature of class of provision: The Superintendence of Sanitation Services initiated proceedings to sanction Aguas Andinas S.A. with respect to overflows of waste waters due to an obstruction of Aguas Andinas’ trunk sewer in the districts of El Bosque and San Bernardo. Currently in the discussion stage.

Timetable foreseen for release of class of provision:
Undetermined.

Uncertainties about the timing and amount of a class of provision:

Aguas Andinas S.A. was fined the sum of 301 UTA. An administrative appeal against that decision was made, which has not been resolved.

c) Nature of class of provision: The Superintendence of Sanitation Services initiated two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Law 18,902, article 11, letters a) b) & c), as a result of water cuts produced by ruptures in the water main in the district of Macul.

Timetable foreseen for release of class of provision:
Undetermined.

Uncertainties about the timing and amount of a class of provision:

The fine proceeding initiated against Aguas Andinas S.A. determines an amount of 101 UTA adjusted. The fine was paid prior to claim. A sentence was issued reducing the fine to 81 UTA, with both parties appealing the case, which resolution is pending. In accordance to the status of the case, is not possible to estimate the result.

d) Nature of class of provision: The Metropolitan COREMA (regional environmental authority) applied a fine of 500 UTM through Resolution N° 177/2004 of May 28, 2004 for the alleged infringement of the Resolution of Environmental Qualification for the La Farfana Wastewater Treatment Plant.

Timetable foreseen for release of class of provision:
Not determined.

Uncertainties about the timing and amount of a class of provision:

10% of the fine was paid into court to start the claim. Pending the realization of an expert report ordered by the court. The record is filed in the court file. There are moderate probabilities that the demand will be accepted.

e) Nature of class of provision: CONAMA applied a fine of 300 UTM through Resolution N°069/2005 of February 17, 2005, for alleged infringement caused by foul odors originating from the La Farfana Wastewater Treatment Plant for the removal of sludge from the drying field.

Timetable foreseen for release of class of provision:
Not determined.

Uncertainties about the timing and amount of a class of provision:

10% of the fine has been paid in order to bring an appeal to the courts. There are low probabilities that the demand will be accepted. Currently, notification of the sentence in the first instance is pending, rejecting the appeal made by the company.

f) Nature of class of provision: CONAMA applied a fine of 500 UTM for alleged non-compliance with RCA 458/01.

Timetable foreseen for release of class of provision:
Not determined.

Uncertainties about the timing and amount of a class of provision:

10% of the fine has been paid in order to bring a challenge to the courts. A final sentence was given rejecting the challenge, and an appeal was made by Aguas Andinas which was fully accepted revoking the interposed fine. The claimed made an appeal, which was accepted, so the amount outstanding should now be determined.

g) Nature of class of provision: The Sanitation Authority has applied administrative sanctioning processes to the Essal S.A. subsidiary, which are in process of legal claim by the company.

Timetable foreseen for release of class of provision:
Not determined.

Uncertainties about the timing and amount of a class of provision:

The legal claims correspond to sanctions imposed by Chilean Treasury amounting to Th\$89,212.

2.- Other provisions, non-current

These relate basically to a transaction on July 10, 2007, signed before the Notary of Mrs. María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers by which, should Aguas Cordillera S.A. abandon and sell the land transferred to it in the future, it would pay at least 52,273.29 UF. This amount will be set off against the debt receivable from the developers.

B.- Contingent liabilities

1.- Aguas Andinas S.A. was sued for damages for injuries allegedly suffered by a Mining Company for the installation of the company’s infrastructure on land on which the applicant had mining properties, thereby allegedly causing damages by preventing mineral extraction. The amount claimed is M \$1,093,564.- The case is at the evidence stage.

2.- On June 9, 2016 and resulting from a rupture of the potable water network that affected the district of Providencia, Aguas Andinas S.A is compensating for the damages caused to third parties. In light of the above-mentioned emergency, the Company is in the process of being reviewed by the Superintendence of Sanitation Services.

The Company and subsidiaries are parties to other lawsuits of smaller amounts. It is believed that these will not have a material adverse effect on the financial statements of the respective companies.

NOTE 16. GUARANTEES AND RESTRICTIONS

A) DIRECT GUARANTEES

Guaranteepolicies and performance bonds have been granted in favor of various institutions, the principal ones being the Superintendence of Sanitation Services, to guarantee the conditions for the provision of services and development programs in the Company’s concession areas, SERVIU Metropolitano, to guarantee the replacement of pavement, and to other institutions, for Th\$33,458,982 as of December 31, 2016 and Th\$36,252,092 as of December 31, 2015.

The detail of guarantees exceeding M \$10,000 is as follows:

CREDITOR	DEBTOR NAME	TYPE OF GUARANTEE	31-12-2016 TH\$	31-12-2015 TH\$
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Andinas S.A.	Performance Bond	7,507,300	7,270,918
Superintendencia de Servicios Sanitarios	Aguas Andinas S.A.	Performance Bond	6,457,521	6,906,937
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Andinas S.A.	Performance Bond	6,088,905	6,088,905
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Performance Bond	652,933	607,007
Municipalidad de La Florida	Aguas Andinas S.A.	Performance Bond	441,250	432,510
Municipalidad de Providencia	Aguas Andinas S.A.	Performance Bond	108,448	52,745
Aguas del Valle S.A.	Aguas Andinas S.A.	Performance Bond	0	51,258
Municipalidad de Peñalolen	Aguas Andinas S.A.	Performance Bond	42,785	41,617
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance Bond	53,592	16,915
Tesorero Municipalidad de La Pintana	Aguas Andinas S.A.	Performance Bond	0	31,440
Constructora San Francisco	Aguas Andinas S.A.	Performance Bond	20,156	15,377
Municipalidad de Santiago	Aguas Andinas S.A.	Performance Bond	24,504	23,835
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance Bond	31,440	20,678
Municipalidad de San Bernardo	Aguas Andinas S.A.	Performance Bond	15,809	7,689
Municipalidad de Macul	Aguas Andinas S.A.	Performance Bond	18,496	8,996
Esval S.A.	Aguas Andinas S.A.	Performance Bond	0	102,516
Municipalidad de Calera de Tango	Aguas Andinas S.A.	Performance Bond	0	12,702
Superintendencia de Servicios Sanitarios	Aguas Cordillera S.A.	Performance Bond	1,204,472	2,304,773
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Cordillera S.A.	Performance Bond	909,783	884,960
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Cordillera S.A.	Performance Bond	724,569	845,760
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance Bond	173,790	173,000
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance Bond	52,696	51,258
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance Bond	17,126	12,815
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Cordillera S.A.	Performance Bond	392,111	381,412
Sencorp S.A.	Aguas Cordillera S.A.	Performance Bond	300,103	0
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Manquehue S.A.	Performance Bond	1,193,440	1,160,877
Superintendencia de Servicios Sanitarios	Aguas Manquehue S.A.	Performance Bond	987,786	1,075,063
Municipalidad de Vitacura	Aguas Manquehue S.A.	Performance Bond	10,538	10,252
Municipalidad Lo Barnechea	Aguas Manquehue S.A.	Performance Bond	108,432	0
Servicio de Vivienda y Urbanismo	Gestión y Servicios S.A.	Performance Bond	1,631,391	2,408,203
Municipalidad de Las Condes	Gestión y Servicios S.A.	Performance Bond	0	33,222
Siderúrgica Huachipato	Anam S.A.	Performance Bond	52,696	51,258
Corporación Nacional del Cobre	Anam S.A.	Performance Bond	17,113	16,646
Superintendencia del medio ambiente	Anam S.A.	Performance Bond	13,174	0
Empresa Servicios Sanitarios del BioBio S.A.	Anam S.A.	Performance Bond	0	34,599
Compañía Minera Doña Inés de Collahuasi	Anam S.A.	Performance Bond	0	14,598
Surlat Industria	Ecoriles	Performance Bond	13,169	0
Superintendencia de Servicios Sanitarios	Essal S.A.	Policy	2,287,664	2,399,825
Director de Obras Hidráulicas	Essal S.A.	Performance Bond	1,123,446	1,491,677
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance Bond	76,212	166,503
Servicio de Vivienda y Urbanismo	Essal S.A.	Performance Bond	146,231	150,239
Director de Vialidad	Essal S.A.	Performance Bond	15,809	80,845
Secretaria Regional	Essal S.A.	Performance Bond	0	28,705
Director General del Territorio Marítimo y de Marina Mercante	Essal S.A.	Performance Bond	7,714	11,281
Total			32,922,604	35,479,816

B) BOND ISSUE RESTRICTIONS

i) Aguas Andinas S.A.

The Company maintains restrictions and obligations related to bond issues made on the national market, as follows:

1.- Send a copy of the consolidated financial statements to the representative of the Bondholders, and send both the quarterly and the audited annual statements to the Company Subsidiaries registered with the SVS, within the same time period that these have to be presented to the SVS, plus all public information reported to the SVS.

2.- Register in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company’s management, should be reflected in its financial statements and/or those of its subsidiaries.

3.- Maintain insurance to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the company’s kind.

4.- The Company is obligated to ensure that transactions carried out with its subsidiaries or other related parties are made on equitable conditions similar to those normally prevailing in the market.

5.- At the end of each quarter in the Issuer’s Financial Statements, maintain a debt ratio not exceeding 1.5:1. Nonetheless, the above limit is adjusted according to the ratio of the Consumer Price Index for the month in which the Debt Ratio is calculated and the Consumer Price Index at December 2009. For all, the aforementioned limit will be adjusted up to a maximum of 2:1.

For these purposes the Debt Ratio is defined as the ratio of Total Liabilities to Total Equity. Total Liabilities are defined as the sum of the Total Current Liabilities and Total Non-Current Liabilities in the Issuer’s Financial Statements.

For purposes of determining the aforementioned index, Liabilities include the amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other guarantees, personal or real, which the Issuer or its subsidiaries have granted to secure the obligations of third parties, except: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those granted by subsidiaries for obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with public sanitation legislation and execution of works in public spaces.

For these purposes, the Total Net Equity is the difference between Total Assets and the sum of Total Current Liabilities and Total Non-Current Liabilities in the Issuer’s Financial Statements.

As of December 31, 2016, the abovementioned accounts are as follows (Th\$):

	31-12-2016 TH\$
Total current liabilities	211,930,036
Total non-current liabilities	873,005,660
Total IFRS liabilities	1,084,935,696
Guarantees with Third Parties (*)	517,816
Total liabilities	1,085,453,512
Total assets	1,771,818,121
Total current liabilities	-211,930,036
Total non-current liabilities	-873,005,660
Total net equity	686,882,425

The debt ratio was 1.58:1, as of December 31, 2016.

* The amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other guarantees, personal or real, which the Issuer or its subsidiaries have granted to secure the obligations of third parties, except: (i) those granted by the Issuer or its

subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those granted by subsidiaries for obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with public sanitation legislation and execution of works in public spaces.

The variation in the Debt Level as of December 31, 2016 was the following:

IPC BASE 2009			COVENANT	
31-12-2009	31-12-2016	ACCUMULATED INFLATION	BASE	LIMIT
90.28	113.88	26.14%	1.5	1.89

6.- Not sell, assign or transfer essential assets (public-utility concession granted by the S.I.S.S. for Greater Santiago), except for contributions or transfers of essential assets to Subsidiary Companies.

The Company is in compliance with all the covenants established in the bond indentures as of December 31, 2016 and December 31, 2015.

ii) **Empresa de Servicios Sanitarios de los Lagos S.A. (Essal S.A.)**

The company has restrictions and obligations relating to bond issues made on the national market, as follows:

- 1.- Send to the bond-holders’ representative a copy of the financial statements, both the quarterly and the audited annual statements, within the same time period that these have to be presented to the Superintendence of Securities and Insurance, plus all public information reported to the Superintendence.
- 2.- Register in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company’s management, should be reflected in its Financial Statements.
- 3.- Maintain insurance to reasonably protect its assets in line with usual practices for industries of the Company’s kind.
- 4.- The Company is required to ensure that transactions it carries out with related parties are made on equitable conditions similar to those normally prevailing in the market.
- 5.- Maintain a debt ratio no higher than 1.29:1, measured on its balance sheets, defined as the debt to equity ratio.
- From 2010, the above covenant was adjusted according to the difference between the consumer price index (CPI) of the month in which the debt level is calculated and the CPI for December 2009. This ratio will

- be adjusted up to a maximum of 2:1 (Debt = Total Liabilities/Total Net Equity). As of December 31, 2016, the debt ratio was 1.1:1.
- 6.- Maintain an Ebitda / Financial expenses ratio of no less than 3.5:1. As of December 31, 2016, the ratio was 8.3:1.
- 7.- Not to sell, assign or transfer essential assets.
- The Company is in compliance with all obligations established in the bond indentures as of December 31, 2016 and December 31, 2015.

C) **BANK LOAN RESTRICTIONS**

i) **Aguas Andinas S.A.**

- The Company has covenants and restrictions for obtaining loan agreements with various national banks, as follows:
- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated balance sheets. Notwithstanding the above, the previous limit shall be adjusted according to the ratio between the Consumer Price Index for the month in which the debt level is calculated and the consumer price index for December 2009. In any case the limit shall be adjusted up to a maximum level of 2:1. For the year ending of December 31, 2016 the variation in debt level amounted to 1.89:1. To this end, the level of indebtedness shall be defined as the ratio of total liabilities to total net assets. As of December 31, 2016 the debt level amounted to 1.58:1.

- 2.- Prohibition on the disposal or loss of title to essential assets, except for contributions or transfers of essential assets to Subsidiary Companies.
- 3.- Send a copy of the individual and consolidated financial statements and both the quarterly and the audited annual statements to the different banks with which the Company has loans, within no more than five days of their presentation to the Superintendence of Securities and Insurance.
- 4.- Record in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company’s management, should be reflected in its financial statements.
- 5.- Maintain insurance to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the Company’s kind.
- 6.- Send a certificate signed by the Company’s CEO declaring compliance with the obligations under the loan agreement.
- 7.- Prohibition on distribution of dividends, except for the obligatory minimum if there is a situation of default or delay in the payment of any loan installment.
- 8.- Maintain a financial expense coverage ratio of at least 3:1, measured on the figures in its consolidated and unconsolidated statements of financial position, defined as the ratio between operating income plus depreciation for the period and amortization of intangible assets divided by financial expenses.

- 9.- Prohibition on liquidating or dissolving the Company, liquidating its operations or businesses that constitute its business, or entering into any act or contract of merger or consolidation, except for mergers with its present subsidiaries.
- 10.- Obligation to ensure that transactions carried out with its subsidiaries or other related parties are made on equitable conditions similar to those normally prevailing in the market.
- ii) **Aguas Cordillera S.A.**
- The Company has obligations and restrictions for obtaining loan agreements with a national bank, as follows:
- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets. Notwithstanding the above, the previous limit shall be adjusted according to the ratio between the Consumer Price Index for the month in which the debt level is calculated and the consumer price index in December 2009. In any case the limit shall be adjusted up to a maximum level of 2.0:1. To this end, the level of indebtedness shall be defined as the ratio of total liabilities to total net assets. As of December 31, 2016 the debt level amounted to 0.59:1.
- 2.- Maintain a coverage ratio of financial expenses equal to or more than 3.0:1, measured on its annual consolidated balance sheet, defined as the ratio between operating income plus depreciation and amortization of intangibles divided by financial expenses. As of December 31, 2016, the coverage of financial expenses amounted to 14.62:1.

- 3.- Send the bank a copy of the debtor’s annual consolidated financial statements, within no more than thirty days of their presentation to the Superintendence of Securities and Insurance.
- 4.- Send a certificate signed by the Company’s CEO declaring compliance with the obligations under the loan agreement.
- 5.- Maintain in full force all rights, licenses, permits, trademarks, franchises, concessions or relevant parts thereof.
- 6.- Maintain insurance coverage to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the Company’s kind.
- 7.- Obligation to ensure that its transactions with its subsidiary or other related parties are made on equitable conditions similar to those normally prevailing in the market.

iii) Essal S.A.

The Subsidiary has obligations arising from the obtaining of a loan with a national bank, which does not have commitments of financial indices or associated restrictions.

As of December 31, 2016, the Company and its sanitation subsidiaries are in compliance with all requirements established in the loan agreements with accrediting Banks, as well as with all the provisions of DFL. N° 382 of the General Sanitation Services Law of 1988, and its Regulations (D.S. MOP N°1199/2004 published in November 2005).

D) GUARANTEES RECEIVED FROM THIRD PARTIES

As of December 31, 2016 and December 31, 2015, the Company has received documents in guarantee for Th\$ 50,472,285 and Th\$ 60,160,786 respectively, arising mainly from work contracts with construction companies to guarantee their due performance. There are also other guarantees for service contracts and acquisition of materials to ensure timely delivery.

A detail of the more important bank guarantees received as of December 31, 2016 is summarized below:

CONTRACTOR OR SUPPLIER	31-12-2016 TH\$	MATURITY DATE
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	13,670,493	30-07-2018
Degremont S.A. Agencia en Chile	6,460,598	01-03-2017
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	5,118,085	31-12-2017
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	4,464,560	01-06-2017
Degremont S.A. Agencia en Chile	3,860,243	30-01-2017
Ingeniería y Construcción Sigdo Koppers S.A.	2,541,692	30-01-2017
Degremont S.A. Agencia en Chile	2,252,535	01-03-2017
Sociedad Concesionaria Costanera Norte S.A.	658,700	28-02-2017
Suez Medioambiente Chile S.A.	644,681	02-05-2017
Constructora El Trebol Ltda.	488,439	29-01-2018
Inmobiliaria y Comercial Quilicura Ltda.	368,872	28-10-2020
BAPA S.A.	284,246	28-02-2017
Suez Medioambiente Chile S.A.	246,696	28-02-2017
Inmobiliaria Nueva Tarapacá S.A.	237,132	16-01-2017
DOMUS S.A.	237,132	31-01-2017
Walmart Chile Inmobiliaria Ltda.	229,412	16-02-2017
Constructora Pérez y Gómez Ltda.	223,484	30-04-2017
INLAC S.A.	191,401	31-07-2017
Constructora Pérez y Gómez Ltda.	185,081	30-04-2017
El Chamisero Inmobiliaria S.A.	171,262	31-05-2017
Inmobiliaria y Comercial Quilicura Ltda.	163,094	28-10-2017
Inmobiliaria y Comercial Quilicura Ltda.	163,094	28-10-2017
INLAC S.A.	135,577	11-08-2017
Asamblea Espiritual Nacional de los Bahais	131,740	04-03-2017
Cruz y Dávila Ingenieros Construcción Ltda.	128,025	23-12-2017
INLAC S.A.	123,592	31-07-2017
Transporte Araya Ltda.	118,566	21-04-2017
Constructora Pérez y Gómez Ltda.	114,149	30-04-2017
BAPA S.A.	108,676	13-02-2017
Consorcio Nacional de Distribución y Logistica S.A.	105,392	30-04-2017
Consorcio Nacional de Distribución y Logistica S.A.	105,392	31-05-2017
Constructora Pérez y Gómez Ltda.	105,392	01-11-2017
Eulen Chile S.A.	105,392	21-06-2018
Luxagua Ingeniería Ltda.	105,392	30-08-2018
Inmobiliaria y Construcción Nueva Pacifico Sur Ltda.	105,392	18-11-2018
Inmobiliaria Loma La Cruz S.A.	105,392	29-01-2017
Empresas Carozzi S.A.	100,860	02-05-2017
Ingeniería y Construcción Caiquen Ltda.	104,177	29-05-2017
Total	44,664,038	

NOTE 17. ORDINARY REVENUE

The detail of ordinary revenue generated by the Group’s companies is as follows:

CLASSES OF ORDINARY REVENUE	31-12-2016 TH\$	31-12-2015 TH\$
ORDINARY REVENUES		
Sale of goods	7,528,118	8,606,117
Provision of services	484,423,786	464,664,804
Reimbursement of insurance	46,566	126,323
Total	491,998,470	473,397,244

NOTE 18. LEASES

INFORMATION TO DISCLOSE ABOUT OPERATIONAL LEASES AS LESSOR

Included under this heading are certain installations where mainly Commercial Agencies operate.

FUTURE MINIMUM PAYMENTS OF NON-CANCELLABLE LEASES, LESSEES	31-12-2016 TH\$	31-12-2015 TH\$
Future minimum payments of non-cancellable leases, until one year, lessees	2,713,686	2,024,359
Future minimum payments of non-cancellable leases, 1 to 5 years, lessees	5,225,937	4,787,536
Future minimum payments of non-cancellable leases, lessees, total	7,939,623	6,811,895
Minimum lease payments under operative leases	4,804,646	4,199,563
Lease & Sub-lease installments booked in statement of earnings, total	4,804,646	4,199,563

SIGNIFICANT OPERATIVE LEASING AGREEMENTS

The most significant operative leases relate to the Commercial Agencies in different districts of the Metropolitan Region. In these cases, the terms range from 1 to 5 years with automatic one-year renewals. These contracts may be terminated in advance

subject to giving notice within the term and conditions established with each lessor, which would not generate contingent payments.

EXISTENCE AND TERMS OF RENEWAL OR PURCHASE OPTIONS AND REVISION CLAUSES, OPERATIVE LEASE CONTRACTS

Agreements are automatically renewed for one year.

DISCLOSURES OF OPERATIVE LEASES AS LESSORS

The Company has contracts of this kind where it acts as lessor, referring principally to parts of its operative premises, which are mostly used by telecommunications companies. The terms fluctuate

between one and ten years, but the Company has the power to terminate them in advance at any time.

FUTURE MINIMUM NON-CANCELLABLE LEASE RECEIVABLES, LESSORS	31-12-2016 TH\$	31-12-2015 TH\$
Future minimum non-cancellable lease receivables, up to 1 year, lessors	388,096	380,398
Amount of leases booked in statement of earnings	819,737	656,448
Total	1,207,833	1,036,846

SIGNIFICANT OPERATIVE LEASE AGREEMENTS OF THE LESSOR

Income from these sources is immaterial for the Company.

NOTE 19. EMPLOYEE BENEFITS

The Company, at the consolidated level, has a workforce of 2,033 employees, of whom 87 are Managers and senior executives. Employees who are parties to collective agreements and individual work contracts with special indemnity clauses total 1,603 and 42 respectively, while 388 workers are covered by what is indicated in the Labor Code.

The collective agreement in effect for the employees and operatives Unions N°1 and N°2 of Aguas Andinas S.A. was signed on July 31, 2014, for a four year term.

The collective agreement with the Professionals and Technicians Union N°3 was signed on September 24, 2015, and is in effect until July 31, 2018.

The current collective agreements for Aguas Cordillera S.A., and personnel of Aguas Manquehue S.A. were signed on December 1, 2014 and December 23, 2014 for the N°1 and N°2 Unions and the Workers and Supervisors Union respectively, all for terms of four years.

The current collective agreements with Unions of the Essal S.A. subsidiary were signed on December 31, 2016 and expire on December 31, 2019.

POLICIES FOR DEFINED BENEFITS PLANS

Workers who are not party to the collective agreements of Aguas Andinas S.A. and its subsidiaries are governed by the rules contained in articles 159, 160 and 161 of the Labor Code, for which no provision is made for termination benefits.

The actuarial calculation is applied for workers who have indemnities at present value until 2002 (including indemnities in any event recognized to that date), as well as for advances granted against such indemnities.

For workers who form part of or were incorporated into current collective agreements at the date of the consolidated financial statements, the actuarial valuation calculation is applied for years of service.

ACCOUNTING POLICIES FOR GAINS AND LOSSES ON DEFINED BENEFITS PLANS

The termination benefits obligation for years of service, which is estimated will accrue to workers who retire from Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., is booked at its actuarial value, determined using the projected credit-unit method.

Actuarial gains and losses on indemnities deriving from changes in estimates or in rates of turnover, mortality, wage increases or discount rate are booked directly to other comprehensive earnings in accordance with IAS 19R revised, directly affecting Equity, which are later reclassified in Accumulated Earnings. This procedure began to be applied in 2013 following the effective date of IAS 19 revised. Until 2012, all variations in estimates and parameters used determined a direct effect on earnings for the year.

ACTUARIAL ASSUMPTIONS

Years of service: In Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A. it is assumed that workers will remain with those Companies until reaching the legal retirement age (women at 60 years of age and men at 65). In the Essal S.A. subsidiary, there is a limit of 6 months indemnity payable to people who retire or die.

Participants in each plan: These benefits are extended to all workers who are part of a union agreement (indicated above) and to workers with individual contracts including an indemnity clause in any event. Workers forming part of the calculation of the actuarial indemnity are as follows, by company: Aguas Andinas S.A.: 917; Aguas Cordillera S.A.: 98; Aguas Manquehue S.A.: 14; Essal S.A.: 328 and Gestión y Servicios S.A.: 1.

Mortality: The RV-2009 mortality tables of the Superintendence of Securities and Insurance are used.

Employee turnover and disability rates and early retirements: Based on the Group’s statistical experience, the turnover rate used for 2016 and 2015 is 5.9% (five point nine percent) and 5.5% (five point five) for the objective workers. Disabled workers and early retirements have not been considered due to their infrequent nature.

Discount rate: During the 2016 and 2015 periods, a rate of 4.7% (four point seven percent) was used, corresponding to the risk-free rate, plus the estimate of expected long-term inflation.

Inflation rate: For making long-term estimates for both the 2016 and 2015 periods, the forecast long-term inflation rate reported by the Central Bank of Chile was used, which amounts to 3.0%.

Wage increase rate: The rate used for the 2015 and 2016 financial years was 5.4% and 6.0% respectively.

GENERAL DESCRIPTION OF DEFINED BENEFITS PLANS

The following benefits are in addition to those indicated in Note 2.2, letter O:

In the event of the death of a worker, an indemnity will be paid to their direct family in accordance with article 60 of the Labor Code.

In the case of an employee who retires from the Company in accordance with numbers. 2, 4 or 5 of article 159, number 1 letter a or number 6 of article 160 of the Labor Code, the employee will be paid as an indemnity the accumulated amount for this concept through July 31, 2002 in Aguas Andinas S.A., and December 31, 2002 in Aguas Cordillera S.A., adjusted quarterly for changes in the Consumer Price Index, provided the change is positive.

Employees of Aguas Andinas S.A. and its subsidiaries who are not a party to their collective agreements are covered by their individual work contracts. In terms of the non-sanitation companies, that is Gestión y Servicios S.A., Ecoriles S.A., Anam S.A. and Aguas del Maipo S.A., the provisions of the Labor Code are applied, except for when individual contracts indicate otherwise.

The provision for the indemnity is shown after deducting advances made to the employees.

The following is the movement in actuarial provisions as of December 31, 2016 and December 31, 2015, which include movements in provisions:

PROVISIONS FOR EMPLOYEE BENEFITS	31-12-2016 TH\$	31-12-2015 TH\$
MOVEMENT IN ACTUARIAL POSITION		
Initial balance	15,621,082	12,875,569
Cost of services	1,983,269	1,595,460
Interest cost	667,802	575,705
Actuarial gains or losses	-58,684	1,985,359
Benefits paid	-1,984,428	-4,115,296
Provision termination benefits	1,056,671	2,704,285
Sub-Total	17,285,712	15,621,082
Profit sharing and Bonuses	4,166,857	3,869,826
Total	21,452,569	19,490,908

In the financial situation statement these balances can be found in the following areas:

PROVISIONS FOR EMPLOYEE BENEFITS	31-12-2016 TH\$	31-12-2015 TH\$
Provisions for employee benefits, current	5,419,742	5,533,104
Provisions for employee benefits, non-current	16,032,827	13,957,804
Total	21,452,569	19,490,908

EXPECTED PAYMENT FLOWS

The collective Contract of Aguas Andinas S.A. indicates, in its 15th clause, that for workers who resign voluntarily to be entitled to retirement, they shall have 120 days from the date they reach the legal retirement age to make their resignation effective.

The collective Contracts of Aguas Cordillera S.A. and Aguas Manquehue S.A. indicate that a termination benefit will be paid to workers who resign voluntarily on reaching the legal retirement age.

In 2015 the Company began a program that incentivizes voluntary retirement of our employees that are approaching the legal retirement age.

According to the mentioned benefits plans, the following are the flows for the following periods:

COMPANY	NUMBER OF EMPLOYEES	EXPECTED PAYMENT FLOW TH\$	YEAR
Aguas Andinas S.A.	16	1,132,290	2017
Essal S.A.	1	7,473	2017
		1,139,763	

PROJECTED LIABILITIES TO DECEMBER 31, 2017

To calculate the projected liabilities for indemnities at actuarial value to December 2017, as indicated in IAS 19, the actuarial assumptions at December 31, 2016 have been used, already commented in this note. Only the amount of the legal bonus has been increased, in line with the minimum wage established in July of last year.

The following is the summary by company:

COMPANY	NUMBER OF EMPLOYEES	COSTS FOR SERVICES TH\$	COSTS FOR INTEREST TH\$
Aguas Andinas S.A.	917	1,565,033	609,942
Aguas Cordillera S.A.	98	206,992	79,807
Aguas Manquehue S.A.	14	30,880	10,015
Essal S.A.	328	63,811	20,713
Gestión y Servicios S.A.	1	704	223
		1,867,420	720,700

SENSITIVITY OF ASSUMPTIONS

The sensitivity of the main assumptions has been made based on the actuarial calculation as of December 31, 2016, determining the following impacts:

CONCEPT	BASE	MORE 0.5% M\$	LESS 0.5% M\$
Discount rate	4.7%	-603,198	679,947
Turnover rate	5.9%	-632,910	711,970
Wage increase rate	5.4%	600,801	-536,599

DISCLOSURES ON BENEFITS ON TERMINATION OF THE CONTRACTUAL RELATIONSHIP

The indemnity on termination of the labor relationship is governed by the provisions of the Labor Code, except for any special clauses in the respective collective agreements or individual contracts.

PROFIT SHARING AND BONUSES

This relates to the Company’s obligation with its personnel with respect to profit-sharing bonuses payable in February and March of the following year. The accrued participation payable to personnel, as stipulated in current contracts, is settled during February on the basis of the statement of financial position for the immediately-preceding year. Through December 31, 2016 and 2015, the amounts total Th\$4,166,857 and Th\$3,869,826, respectively. In addition, advances are made against this bonus in the months of March, June, September and December of each calendar year.

The annual amount will depend on the earnings of each Company in the Group.

PERSONNEL EXPENSES

Personnel expenses through December 31, 2016 and December 31, 2015 are as follows:

PERSONNEL EXPENDITURES	31-12-2016 TH\$	31-12-2015 TH\$
Wages & Salaries	-32,753,190	-30,294,008
Defined benefits	-14,452,018	-13,246,134
Termination benefits	-4,798,825	-5,554,988
Other personnel costs	-2,054,810	-2,061,521
Total	-54,058,843	-51,156,651

NOTE 20. EFFECT OF EXCHANGE DIFFERENCES

The detail of the Group’s exchange differences is as follows:

CATEGORY	CURRENCY	31-12-2016 TH\$	31-12-2015 TH\$
Trade debts and other accounts receivable	EUR	-800	-367
Trade debts and other accounts receivable	USD	-1,710	625
Other financial assets	USD	0	-921
Total variation in assets		-2,510	-663
Trade debts and other accounts payable	EUR	-13,647	-3,847
Trade debts and other accounts payable	USD	-4,095	-11,424
Accounts payable related entities	EUR	-3	672
Other financial liabilities	EUR	-279	0
Other financial liabilities	USD	-44	0
Total variation in liabilities		-18,068	-14,599
Profits (losses) from exchange differences		-20,578	-15,262

NOTE 21. OTHER EXPENSES BY NATURE

Information concerning other expenses by nature is presented below:

OTHER EXPENSES BY NATURE	31-12-2016 TH\$	31-12-2015 TH\$
Treatment plant operation	-30,055,100	-29,030,858
Commercial services	-19,651,388	-16,534,280
Insurance, taxation, licenses & permits	-5,766,515	-5,702,317
Maintenance of networks, equipment & enclosures	-29,709,798	-25,341,863
Supplies and basic services	-14,018,118	-12,241,453
Other expenses	-14,945,023	-14,595,019
Total	-114,145,942	-103,445,790

NOTE 22. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs to December 31, 2016 and 2015 is as follows:

DISCLOSURES ON CAPITALIZED INTEREST COSTS

CAPITALIZED INTEREST COSTS, PROPERTY, PLANT AND EQUIPMENT		31-12-2016	31-12-2015
Rate of capitalization of interest costs, property, plant and equipment	%	7,64	8,11
Amount of capitalized interest, property, plant and equipment	TH\$	5,669,924	2,828,843

NOTE 23. INCOME TAXES AND DEFERRED TAXES

As established in IAS 12, the following shows the net position of deferred tax assets and liabilities, determined by each individual Company and shown in the consolidated statement of financial position adding each position:

STATEMENTS OF FINANCIAL POSITION	31-12-2016 TH\$	31-12-2015 TH\$
Deferred tax assets	20,231,924	17,111,377
Deferred tax liabilities	-38,419,238	-40,606,589
Net position of deferred tax	-18,187,314	-23,495,212

The net position shown originates from a variety of concepts made up of timing and permanent differences which at the consolidated level permit being shown under the following concepts:

DISCLOSURES ON DEFERRED TAX ASSETS

DEFERRED TAX ASSETS	31-12-2016 TH\$	31-12-2015 TH\$
Water rights (amortization)	463,085	429,019
Provision for non-recoverable accounts	8,317,255	8,497,249
Provision for vacations	588,013	505,778
Litigation	706,416	181,956
Termination benefits	3,888,756	3,375,320
Other provisions	134,392	308,623
Revenue received in advance	0	18,587
Variation monetary correction & depreciation assets	69,612,573	66,208,299
Deferred income	1,969,571	1,969,571
La Dehesa Tank transaction	371,870	361,724
Amortization	43,332	50,552
Others	1,352,025	813,495
Deferred tax assets	87,447,288	82,720,173

DISCLOSURES ON DEFERRED TAX LIABILITIES

DEFERRED TAX LIABILITIES	31-12-2016 TH\$	31-12-2015 TH\$
Fixed asset depreciation	23,995,484	22,479,474
Amortizations	649,538	448,077
Expense investment related companies	387,431	387,431
Reevaluations of land	22,669,870	22,669,870
Reevaluations of water rights	45,611,780	45,611,780
Fair value of assets for purchase of Essal S.A.	13,305,193	14,569,528
Others	15,306	49,225
Deferred tax liabilities	105,634,602	106,215,385
Net position of deferred tax	-18,187,314	-23,495,212

On September 29, 2014, Law No. 20,780 was published, which establishes a permanent change in the tax rate of the first category tax, therefore, in accordance with IAS 12, it was necessary to revalue deferred taxes, adjusting them to the new tariffs according to the year of the reversal, raising them from 20% to 21% in 2014, 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018 onwards.

MOVEMENTS IN DEFERRED TAX ASSETS

MOVEMENT IN DEFERRED TAX ASSETS	31-12-2016 TH\$	31-12-2015 TH\$
Deferred tax assets initial balance	82,720,173	76,752,535
Increases (decreases) in deferred tax assets	1,502,835	444,782
Increases (decreases) through corrections of currency and depreciation	3,404,274	6,270,708
Increases (decreases) for provisions for unrecoverable debts	-179,994	-747,852
Changes in deferred tax assets	4,727,115	5,967,638
Changes in deferred tax assets total	87,447,288	82,720,173

MOVEMENTS IN DEFERRED TAX LIABILITIES

MOVEMENT IN DEFERRED TAX LIABILITIES	31-12-2016 TH\$	31-12-2015 TH\$
Deferred tax liabilities, initial balance	106,215,385	107,254,773
Increases (decreases) in deferred tax liabilities	683,552	145,927
Increases (decreases) in acquisitions through combinations of businesses	-1,264,335	-1,185,315
Changes in deferred tax liabilities	-580,783	-1,039,388
Changes in deferred tax liabilities, total	105,634,602	106,215,385

INCOME TAX EXPENSES

INCOME (CHARGES) FOR INCOME TAXES BY CURRENT AND DEFERRED PARTS	31-12-2016 TH\$	31-12-2015 TH\$
Charge for current income taxes	-48,974,228	-40,372,457
Adjustment for tax charge previous period	290,150	58,029
Charge for current taxes	-48,684,078	-40,314,428
Deferred income (expenses) for taxes related to creation & reversal of timing differences	5,323,743	6,552,757
Charge for sole tax (disallowed expenses)	-93,967	-84,235
Earnings (charges) for other taxes	5,229,776	6,468,522
Charges for earnings taxes	-43,454,302	-33,845,906

NUMERICAL RECONCILIATION OF THE CHARGE (CREDIT) FOR TAX AND THE RESULT OF MULTIPLYING THE ACCOUNTING GAIN BY THE APPLICABLE TAX RATES.

	31-12-2016 TH\$	31-12-2015 TH\$
Charges for taxes using the statutory rate	-47,313,366	-37,164,819
Permanent difference for monetary correction tax equity	3,339,958	3,323,106
Permanent differences for disallowed expenses	-93,967	-84,235
Permanent differences for previous years' income tax	290,150	58,029
Other permanent differences	322,923	22,013
Adjustments to tax charge using the statutory rate	3,859,064	3,318,913
Tax charges using the effective rate	-43,454,302	-33,845,906

RECONCILIATION OF THE STATUTORY RATE AND THE EFFECTIVE TAX RATE

	31-12-2016	31-12-2015
Statutory tax rate	24.00%	22.50%
Permanent difference for monetary correction of tax equity	-1.69%	-2.01%
Permanent difference for disallowed expenses	0.05%	0.05%
Permanent difference for previous years' income tax	-0.15%	-0.04%
Other permanent differences	-0.17%	-0.01%
Effective tax rate	22.04%	20.49%

NOTE 24. EARNINGS PER SHARE

Basic earnings per share are calculated as the earnings (loss) for the period attributable to holders of Net Equity instruments of the Controller divided by the

weighted average number of common shares in circulation during that period.

EARNINGS PER SHARE		31-12-2016	31-12-2015
Earnings attributable to shareholders in equity of the controller	M\$	74,289,195	63,283,308
Earnings available to common shareholders, basic	M\$	74,289,195	63,283,308
Weighted average of number of shares, basic		1,000,000,000	1,000,000,000
Earnings per share	\$	74,289	63,283

INFORMATION TO REPORT ON DILUTED EARNINGS (LOSSES) PER SHARE

The Company has not carried out any type of transaction with a potential diluting effect that suggests diluted earnings per share would be different from basic earnings per share.

- Operations related to the sanitation business (water).
- Operations unrelated to the sanitation business (non-water).

DESCRIPTION OF TYPES OF PRODUCTS AND SERVICES THAT PROVIDE NORMAL REVENUES OF EACH SEGMENT REPORTED.

The Water segment consists only of sanitation services that permit the provision of products and production services, water distribution, and sewage collection and treatment. This segment comprises the subsidiaries Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., and Essal S.A. through Iberaguas Ltda.

The Non-Water segment consists of services related to environmental analysis, liquid waste treatment (Riles), comprehensive engineering services, plus the sale of products related to the sanitation services and energy projects. The subsidiaries included are EcoRiles S.A., Anam S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A.

NOTE 25. BUSINESS SEGMENTS

The Group discloses information by segment in accordance with IFRS N°8, “Operative Segments”, which sets the reporting standards with respect to operative segments and related disclosures for products and services. The operative segments are defined as components of an entity for which separate financial information exists which is regularly used by Management for making decisions, assigning resources and evaluating performance.

The Group manages and measures the performance of its operations by business segment. The operative segments reported internally are the following:

GENERAL INFORMATION ON EARNINGS, ASSETS, LIABILITIES AND EQUITY.

GENERAL INFORMATION ON EARNINGS	31-12-2016		31-12-2015	
	WATER TH\$	NON-WATER TH\$	WATER TH\$	NON-WATER TH\$
Revenues from ordinary activities with external customers	469,116,410	22,886,570	447,576,149	25,820,556
Revenues from ordinary activities between segments	782,634	4,074,938	1,231,979	3,763,794
Primary materials and consumption utilized	-23,152,734	-10,503,558	-25,736,020	-12,074,304
Employee benefit expenses	-46,968,101	-6,711,269	-44,441,487	-6,266,815
Operating expenses	-111,898,151	-6,085,647	-101,197,059	-5,999,851
Depreciation & amortization	-66,318,416	-719,000	-67,805,175	-586,907
Other revenue & expenses	16,728,956	-2,131,435	-171,780	114,260
Financial income	6,366,834	223,193	6,070,710	590,052
Financial costs	-27,106,024	-127,580	-27,942,698	-40,651
Result of indexation & exchange differences	-20,198,764	21,064	-26,552,974	15,803
Income tax charges	-43,242,226	-200,235	-32,617,825	-1,065,899
Earnings by segment	154,110,418	727,041	128,413,820	4,270,038
Earnings by segment attributable to owners of the controller	149,848,625	727,041	124,738,107	4,270,038
Earnings (losses) by segment attributable to non-controller participations	4,261,793	0	3,675,713	0

TOTAL ON INFORMATION ABOUT ASSETS, LIABILITIES & EQUITY	31-12-2016		31-12-2015	
	WATER TH\$	NON-WATER TH\$	WATER TH\$	NON-WATER TH\$
Current assets	172,864,658	13,158,165	139,417,111	14,460,517
Non-current assets	1,575,986,816	15,034,226	1,529,251,479	14,624,249
Total assets	1,748,851,474	28,192,391	1,668,668,590	29,084,766
Current liabilities	208,250,144	8,905,636	230,256,109	8,706,710
Non-current liabilities	872,883,250	122,410	787,106,299	93,772
Equity attributable to owners of the controller	614,992,835	19,164,345	596,911,692	20,284,284
Non-controller participations	52,725,245	0	54,394,490	0
Total equity & liabilities	1,748,851,474	28,192,391	1,668,668,590	29,084,766

SIGNIFICANT ITEMS OF REVENUE AND EXPENSES BY SEGMENT

Water and Non-Water Segments

The significant items of ordinary revenue and expenses are principally those related to the business of the segment. There are also relevant sums in relation to expenses for depreciation, personnel and other assorted expenses, including relevant expenditures from outsourced services.

Revenue

The Company's Revenue is mainly generated by the regulated services relating to the production and distribution of water, collection, treatment and disposal of sewage, and other regulated services (including revenue from suspending and restoring supplies, the monitoring of liquid waste discharges and fixed charges).

DETAIL OF SIGNIFICANT REVENUE ITEMS

Water Segment

The significant items of ordinary revenues are principally those related to the water and sewage businesses, i.e. from the potable water and sewage water business, that is, income from the sale of water, excess consumption, variable charge, fixed charge, sewage service, sewer use and wastewater treatment. It is also possible to identify revenue sales of fixed assets.

Tariffs

The most important factor determining the earnings of the Company's operations and financial position are the tariffs set for its regulated sales and services. As regulated companies, Aguas Andinas and its sanitation subsidiaries are regulated by the SISS and their tariffs are set in accordance with the Sanitation Services Tariffs Law N°70 of 1988.

The tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to polynomial indexation, if the

accumulated variation since the previous adjustment is 3.0% or more, according to calculations made as a function of different inflation indices.

Specifically, the adjustments are applied as a function of a formula that includes the Consumer Price Index, the Wholesale Price Index for Imported Industrial Goods and the Wholesale Price Index for National Industrial Goods, all published by the Chilean National Institute of Statistics. Tariffs are also subject to adjustment to reflect additional services previously authorized by the SISS.

In 2015 the tariff negotiation processes ended for the 2015-2020 period; the decrees fixing the tariffs during the referenced five-year period for Aguas Andinas S.A., Aguas Cordillera S.A and Aguas Manquehue S.A, correspond to numbers 152-2015; 83-2015; and 139 2015 respectively.

In terms of the subsidiary Essal, the tariff-setting process for the 2016-2021 period finished with an agreement signed between the company and the SISS in September 2016. Publication of the respective decree is pending.

Non-water segment

The significant items of ordinary revenues are mainly those related to a segment's business and are closely related to the principal business of each subsidiary, involving the sale of materials to third parties, revenues from operating liquid-waste treatment plants, and revenues from drinking water and sewage services and analysis and biogas sale.

DETAILS OF SIGNIFICANT EXPENSE ITEMS

Water segment

The significant expense items are mainly those related

to compensation, energy, Wastewater Treatment Plant Operation, depreciation of real and personal property, interest expenses, and income tax payments.

Non-water segment

The significant items of expenses are mainly those related to compensation, the cost of materials for sale, and income tax payments.

DETAILED EXPLANATION OF MEASUREMENT OF EARNINGS, ASSETS, LIABILITIES AND EQUITY OF EACH SEGMENT

The measurement applicable to these segments relates to the grouping of those subsidiaries directly related to the segment.

The accounting criteria relate to the booking of economic events giving rise to rights and obligations in the same way that these arise in economic relations with third parties. These records will generate committed balances in an asset and liability account according to the nature of the transaction in each related company according to the segment in which it operates. These accounts, called accounts receivable or payable from/to related companies, are netted in the consolidation of the financial statements in accordance with the rules of consolidation explained in IAS 27.

There are no differences in the nature of the measurement of earnings, given that according to the standard, there are no accounting policies that show different criteria for assigning costs or similar.

There are no differences in the nature of the measurement of assets and liabilities, given that according to the standard, there are no accounting policies that show different criteria for assigning costs or similar.

RECONCILIATION OF REVENUES FROM ORDINARY ACTIVITIES	31-12-2016 TH\$	31-12-2015 TH\$
Revenues from ordinary activities of the segments	496,860,552	478,392,478
Elimination of accounts of the corporate headquarters with the segments	-4,510	539
Elimination of ordinary activity revenues between segments	-4,857,572	-4,995,773
Revenues from ordinary activities	491,998,470	473,397,244

RECONCILIATION OF EARNINGS	31-12-2016 TH\$	31-12-2015 TH\$
Total consolidated earnings (losses) of segments	154,837,459	132,683,858
Elimination of accounts of the corporate headquarters with the segments	-76,286,471	-65,724,837
Consolidation of earnings (losses) between segments	-4,261,793	-3,675,713
Consolidation of earnings (loss)	74,289,195	63,283,308

RECONCILIATIONS OF SEGMENT ASSETS, LIABILITIES & EQUITY OF SEGMENTSSEGMENTOS	31-12-2016 TH\$	31-12-2015 TH\$
RECONCILIATION OF ASSETS		
Consolidation total assets of segments	1,777,043,865	1,697,753,356
Accounts of the corporate headquarters with the segments	272,643,238	272,615,946
Elimination of accounts between segments	-5,224,729	-6,555,506
Total assets	2,044,462,374	1,963,813,796
RECONCILIATION OF LIABILITIES		
Consolidation total liabilities of segments	1,090,161,440	1,026,162,890
Accounts of the corporate headquarters with the segments	687,807	1,219,229
Elimination of accounts between segments	-5,224,729	-6,555,506
Total liabilities	1,085,624,518	1,020,826,613
CONSOLIDATION OF EQUITY		
Consolidation of total equities of segments	634,157,180	617,195,977
Elimination of accounts of the corporate headquarters with the segments	-44,474,162	-36,569,633
Equity attributable to owners of the controller	589,683,018	580,626,344

INFORMATION ON MAIN CUSTOMERS OF THE SUBSIDIARIES:

Principal water segment customers:

- I. Municipalidad de Puente Alto
- I. Municipalidad de Santiago
- Adm. Centro Comunitario Alto Las Condes S.A
- Centro de Detención Preventiva Santiago 1
- I. Municipalidad de Peñalolen
- Universidad de Chile
- Ministerio de Obras Públicas
- I. Municipalidad de La Florida
- Embotelladoras Chilenas Unidas S.A.
- Cervecera CCU Chile Ltda.

Principal non-water segment Customers:

- CMPC Cordillera S.A.
- Cobra Chile Servicios S.A.
- Inmobiliaria Constructora Nueva Pacífico
- Cartulinas CMPC S.A.
- Watt’s S.A.
- Soprole S.A.
- Cervecera CCU Chile Ltda.
- Constructora Pérez y Gómez
- Nestle Chile S.A.
- Cooperativa Agrícola y Lechera

TYPES OF PRODUCTS IN THE WATER AND NON-WATER SEGMENTS:

Water segment

The types of products and services for the water segment are:

- Production and distribution of potable water.
- Collection and treatment of wastewater.

This segment comprises Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., Essal S.A. and Iberaguas Ltda.

Non-water segment

The types of products and services for the non-water segment are:

- Outsourcing service in operations of industrial waste treatment plants and treatment of excess organic loads (Ecoriles S.A. subsidiary).
- Physical, chemical and biological analysis of water, air and solids (Anam S.A. subsidiary).
- Comprehensive Engineering Services and sale of products including tubes, valves, taps and other related items (Gestión y Servicios S.A. subsidiary).
- Energy projects (Aguas del Maipo S.A. subsidiary).

NOTE 26. ENVIRONMENT

INFORMATION ON DISBURSEMENTS RELATED TO THE ENVIRONMENT:

According to Circular N° 1901 of October 30, 2008 of the Superintendence of Securities and Insurance, information is revealed below concerning the disbursements related to the environment.

The details of the disbursements related to the environment are included below:

AGUAS ANDINAS S.A.

PROJECT NAME	31-12-2016 TH\$	31-12-2015 TH\$
Expansion and Improvements Greater Santiago WWTP	44,206,465	23,005,732
Expansion and Improvements Isla de Maipo WWTP	0	341,476
Expansion and Improvements Other Localities WWTP	11,428	1,363
Expansion and Improvements Paine WWTP	29,943	0
Expansion and Improvements Pomaire WWTP	22,742	14,304
Expansion and Improvements San José de Maipo WWTP	24,040	4,500
Expansion and Improvements Talagante WWTP	53,815	1,964
Expansion and Improvements Valdivia de Paine WWTP	34,996	51,965
Improvement and renovation of equipment and installations	1,150,811	1,207,737
Total	45,534,240	24,629,041

AGUAS MANQUEHUE S.A.

PROJECT NAME	31-12-2016 TH\$	31-12-2015 TH\$
Improvement and renovation of equipment and installations	91,427	149,181
Total	91,427	149,181

ESSAL S.A.

PROJECT NAME	31-12-2016 TH\$	31-12-2015 TH\$
Improvement in disposal infrastructure	318,325	195,620
Improvement of EDAR system	542,240	295,762
Renovation of treatment and disposal equipment	36,579	33,655
Totals	897,144	525,037

PROJECTED ENVIRONMENTAL INVESTMENTS FOR THE 2017 PERIOD

COMPANY	TH\$
Aguas Andinas S.A.	10,695,672
Aguas Manquehue S.A.	13,000
Essal S.A.	1,114,449
Total	11,823,121

INDICATION OF WHETHER THE DISBURSEMENT FORMS PART OF THE COST OF AN ASSET OR IS REFLECTED AS AN EXPENSE, DISBURSEMENTS IN THE PERIOD:

All of the projects mentioned form part of the cost of construction of the respective works.

FIXED OR ESTIMATED DATE ON WHICH FUTURE DISBURSEMENTS WILL BE MADE, DISBURSEMENTS IN THE PERIOD:

The projected disbursements are estimated to be made during the 2017 year.

The Company and its subsidiaries are companies that are affected by disbursements relating to the environment, i.e. compliance with orders, laws relating to industrial processes and installations, and any others that could directly or indirectly affect protection of the environment.

NOTE 27. EVENTS OCCURRING AFTER THE DATE OF TEH STATEMENT OF FINANCIAL POSITION

At the date of issuance of these consolidated financial statements, the management of the Company and Subsidiaries are not aware of any subsequent events that affect the financial position through December 31, 2016.

EARNINGS RELEASE

For the financial year ending December 31 2016

1. HIGHLIGHTS FOR 2016

- The Company’s revenue reached CLP\$491,998,470 thousand, an increase of CLP\$18,601,226 thousand (3.9%) in comparison to the previous financial year. This increase was mainly due to an increase in regulated revenues for CLP\$23,361,265 thousand, associated to an increase in supplied volumes and higher average tariffs due to the increases in inflation registered during 2015 and 2016.
- The non-regulated subsidiaries decreased their sales in CLP\$2,750,175 thousand due to a delay in the beginning of operations of the Methanization Plant which is being built in the La Farfana Plant. This plant will enable the Company to sell biogas with a higher caloric potential. During this financial year, Gestión y Servicios also generated lower sales mainly due to lower sales of network materials.
- Costs increased by 5.0% mainly due to an increase in employee benefits for CLP\$2,902,192 thousand explained by increases in CPI and an increased number of staff, in addition to an increase in network maintenance for CLP\$2,271,649 thousand associated with the Providencia matrix rupture contingency, an increase in sanitation infrastructure transfer requests, higher costs for sewage treatment plant operation, higher costs for enclosure and equipment maintenance, higher lease costs and higher client service costs for CLP\$578,643 thousand.
- The EBITDA for the financial year reached CLP\$290,350,926 thousand, showing an increase of 3.2% in comparison to 2015.
- Other revenues were attained for CLP\$14,594,087 thousand, CLP\$14,636,747 thousand higher than that obtained in the previous financial year, mainly due Aguas Cordillera’s sale of a large piece of land in Vitacura.
- The financial result generated a loss for CLP\$40,789,207 thousand, improving the result by CLP\$7,029,242 thousand in comparison to the previous financial year. This was mainly due to a lower revaluation of the Company’s re-adjustable debt in Unidades de Fomento (Indexation Units).
- In order to finance the Company’s investment plan and refinance liabilities, in January 2016 the Company issued two bonds with the following characteristics:
Series Z: for 1.0 million Unidades de Fomento, structured to 7 years, at a 2.15% rate.
Serie AA: for 2.0 million Unidades de Fomento, structured to 24 years, at a 3.29% rate.
- Tax expenses at the end of 2016 amounted to CLP\$43,454,302 thousand, CLP\$9,608,396 thousand higher in comparison to the same period of the previous year. This variation was mainly justified by higher earnings before taxes of CLP\$31,962,050 thousand and by the change in the tax rate increasing from 22.5% to 24% due to the Tax Reform which has been in place since September 2014.

- Net income as of December 31 2016 amounted to CLP\$74,289,195 thousand, CLP\$11,005,887 thousand higher (17.4% increase) in comparison to 2015.

2. CONSOLIDATED RESULTS

2.1 ACCUMULATED RESULTS

INCOME STATEMENT (CLP\$ THOUSANDS)	DEC. 16	DEC. 15	% VAR.	2016 - 2015
Revenues	491,998,470	473,397,244	3.9%	18,601,226
Operating Costs & Expenses	(201,647,544)	(191,956,625)	5.0%	(9,690,919)
EBITDA	290,350,926	281,440,619	3.2%	8,910,307
D&A	(67,016,783)	(68,402,537)	(2.0%)	1,385,754
Operating Income (EBIT)	223,334,143	213,038,082	4.8%	10,296,061
Other Gains	14,594,087	(42,660)	<(200%)	14,636,747
Financial Result*	(40,789,207)	(47,818,449)	(14.7%)	7,029,242
Tax Expenses	(43,454,302)	(33,845,906)	28.4%	(9,608,396)
Net Income	74,289,195	63,283,308	17.4%	11,005,887

*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units.

2.2 CONSOLIDATED REVENUE ANALYSI

	DEC, 16		DEC, 15		VARIATION	
	SALES CLP TH\$	PARTICIPATION	SALES CLP TH\$	PARTICIPATION	CLP TH\$	%
Potable Water	190,399,865	38,7%	180,937,131	38,2%	9,462,734	5,2%
Sewage	235,458,940	47,9%	220,706,443	46,6%	14,752,497	6,7%
Other Regulated Revenue	17,161,349	3,4%	18,015,314	3,8%	(853,965)	(4,7%)
Non-Regulated Revenue	48,978,316	10,0%	53,738,356	11,4%	(4,760,040)	(8,9%)
Total	491,998,470	100,0%	473,397,244	100,0%	18,601,226	3,9%

SALES VOLUME (TH. M³)	DEC. 16	DEC. 15	% VAR.	DIFFERENCE
Potable Water	569,199	562,187	1.2%	7,012
Sewage Collection	549,505	542,921	1.2%	6,584
Sewage Treatment & Disposal	480,159	472,691	1.6%	7,468
Interconnections *	122,251	123,603	(1.1%)	(1,352)

CLIENTS	DEC. 16	DEC. 15	% VAR.	DIFFERENCE
Potable Water	2,213,869	2,149,673	3.0%	64,196
Sewage Collection	2,160,473	2,096,347	3.1%	64,126

* Interconnections include the Treatment and Disposal of Sewage from other Sanitation Companies

a) Regulated Revenues

1. Potable Water

Potable water revenues as of the end of 2016 totaled CLP\$190,399,865 thousand. This is an increase of CLP\$9,462,734 thousand in comparison to the same period of the previous year. The higher level of revenue was due to higher supplied volumes in addition to the variations in tariffs registered during 2015 and 2016.

2. Sewage

Revenues from sewage during 2016 reached CLP\$235,458,940 thousand, exhibiting an increase of 6.7% in comparison to the CLP\$220,706,443 thousand registered the previous financial year. The CLP\$14,752,497 thousand increase was due to increased supplied volumes and the variations in tariffs registered during 2015 and 2016.

3. Other Regulated Revenues

This segment had a decrease of CLP\$853,965 thousand which is mainly explained by the variation in the non-billed consumption provision, in addition to a decrease in revenue from potable water disconnection and reconnection charges.

b) Non-Regulated Revenues

Non-regulated revenues decreased by CLP\$4,760,040 thousand as of the end of 2016 in comparison to the previous year. This was mainly due to:

1. Sanitation Services

A decrease of CLP\$2,004,816 thousand mainly due to revenues associated to works which were executed due to a request from the Ministry of Public Works during 2015 in addition to a lower amount of work requests required by clients.

2. Non Sanitation Services

A decrease of CLP\$ \$2,755,224 thousand that was mainly explained by a decrease in Aguas del Maipo. This company did not register sales during the year due to the delay in the beginning of operations of the Methanization Plant which is being built in the La Farfana Plant. In addition to this, there is lower activity in Gestión y Servicios S.A (mainly due to lower activity in collector cleaning and engineering projects) which is partially compensated by higher sales by Análisis Ambientales.

(CLP TH \$)	DEC. 16	DEC. 15	VAR. %
Anam S.A.	3,339,493	3,102,312	7.6%
EcoRiles S.A.	12,341,678	12,518,955	(1.4%)
Gestión y Servicios S.A.	7,408,804	9,052,760	(18.2%)
Aguas del Maipo S.A.	-246,664	919,458	(126.8%)
Inversiones Aguas Metropolitanas S.A.	-4,511	539	<(200%)
Non-regulated, non-sanitation products	22,838,800	25,594,024	(10.8%)

2.3. EXPENSE ANALYSIS

a) Raw Materials and Consumables Used

As of December 31 2016, the cost of raw materials and consumables used reached CLP\$33,442,759 thousand, a decrease of CLP\$3,911,425 thousand in comparison

to 2015. The decrease in these costs is due by a decrease in electricity expenses for CLP\$2,288,897 thousand due the recognition of retroactive charges for CLP\$2,827,551 thousand in 2015 and lower consumption for CLP\$420,412 thousand, which has been partially compensated by an increase in tariffs for CLP\$959,066 thousand. In addition to this, there was a decrease in spending in various materials for CLP\$2,322,759 thousand mainly due to purchasing less raw water for CLP\$1,082,055 thousand and a decrease in Gestión y Servicios’ cost of sales due to a decrease in activity with third parties for CLP\$1,246,352 thousand. This decrease in costs has been partially compensated by an increase of chemical inputs for CLP\$700,648 thousand. These chemicals are used for turbidity abatement due to a higher use of superficial water from the Maipo River.

b) Personnel Expenses

At the end of 2016, personnel expenses amounted to CLP\$54,058,843 thousand, CLP\$2,902,192 thousand higher than the previous year, partially explained by higher salaries associated to inflation adjustments for CLP\$1,709,622 thousand, more average personnel for CLP\$1,909,245 thousand of which CLP\$649,908 thousand are explained by the internalization of Rural Potable Water personnel. In addition to this, there have also been higher payments for years of service for CLP\$941,519 thousand, higher settlements paid for CLP\$286,344 thousand, and higher variable bonuses paid for CLP\$198,442 thousand. This increase in personnel expenses is partially compensated by a provision which was constituted in 2015 associated to an early retirement program for CLP\$2,054,000 thousand.

c)Depreciation and Amortization Expenses

As of December 31 2016, depreciation and amortization totaled to CLP\$67,016,783 thousand, CLP\$1,385,754 thousand lower than that obtained in 2015. This was mainly due to the end of the useful lives of certain assets, partially compensated by the depreciation of new investments that were incorporated during the period.

d) Other Expenses

As of December 31 2016, these expenses increased to CLP\$114,145,942 thousand, CLP\$10,700,152 thousand higher than that obtained during the same quarter in 2015. This is essentially explained due to higher costs in network maintenance for CLP\$2,271,649 thousand associated with an increase in activity due to an increase in ruptures, an increase in costs due to an increase in insolvency provisions for CLP\$978,558 thousand, higher contingency costs due to the matrix rupture in Providencia for CLP\$1,259,903 thousand, higher costs due to higher sanitation infrastructure transfer due to more activity for CLP\$898,174 thousand, higher plant operation costs for CLP\$880,293 thousand mainly associated with the variation of the UF (indexation units), higher costs for enclosure and equipment maintenance for CLP\$806,766 thousand, higher expenses due to fines from the Superintendence of Sanitation Services (SISS) for CLP\$744,043 thousand, lease services for CLP\$658,749 thousand, increased number of works required by clients for CLP\$599,354 thousand, higher client service costs for CLP\$578,643 thousand associated to an increase in activities such as billing and collection, cuts and replacements, and call center services, increased spending on contributions and commercial patents for CLP\$204,221 thousand, and higher expenses in the removal of residues and sludge for CLP\$143,949 thousand.

2.4. ANALYSIS OF FINANCIAL RESULTS AND OTHER RESULTS

a) Other Gains

As of December 31, 2016, the Company attained other gains for CLP\$ \$14,594,087 thousand, \$14,636,747 thousand higher than that obtained during 2015. This was mainly due to Aguas Cordillera’s sale of a large terrain in the Vitacura commune.

b) Financial Income

As of December 31 2016, financial revenues amounted to CLP\$ \$6,511,222 thousand, CLP\$119,767 thousand lower than that obtained in 2015. This was mainly due to an inflation insurance policy attained in 2015, compensated by higher financial interests due to higher cash surpluses and the repurchasing of promissory notes.

c) Financial Expenses

At the end of 2016, financial expenses totaled CLP\$27,118,382 thousand, which meant a decrease in these expenses by CLP\$790,821 thousand in comparison to those obtained in 2015. The latter was explained by higher interest activation partially compensated by an increase in interests in bond payments and higher interests in promissory notes associated with an increase in this type of debt.

d) Results from Indexation Units

At the end of 2016, there were losses for CLP \$20,161,469 thousand, determined by a lower expense of CLP\$6,363,504 thousand in comparison to 2015. This was mainly due to lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to 2015.

e) Expense (Income) due to Income Tax

Income tax expense at the end of 2016 totaled CLP\$43,454,302 thousand, CLP\$9,608,396 higher in regards to the previous year. This variation was justified mainly by higher revenues before taxes for CLP \$31,962.050 thousand, in addition to the change in tax rate from 22.5% to 24% due to the Tax Reform which has been in place since September 2014. This has been partially compensated by an increase in the permanent differences that affect the results which are associated to taxes.

f) Net Income

Net income as of December 31 2016 amounted to CLP\$74,289,195 thousand, CLP\$11,005,887 thousand (17.4%) higher to that obtained in 2015.

3. RESULTS BY SEGMENT

3.1 ACCUMULATED RESULTS, WATER SEGMENT

INCOME STATEMENT (CLP\$ THOUSANDS)	DEC. 16	DEC. 15	% VAR.	2016 - 2015
External Revenues	469,116,410	447,576,149	4.8%	21,540,261
Revenues Between Segments	782,634	1,231,979	(36.5%)	(449,345)
Operation Costs and Expenses	(182,018,986)	(171,374,566)	6.2%	(10,644,420)
EBITDA	287,880,058	277,433,562	3.8%	10,446,496
Depreciation & Amortization	(66,318,416)	(67,805,175)	(2.2%)	1,486,759
Operating Income (EBIT)	221,561,642	209,628,387	5.7%	11,933,255
Other Gains	16,728,956	(171,780)	<(200%)	16,900,736
Financial Result*	(40,937,954)	(48,424,962)	(15.5%)	7,487,008
Tax Expenses	(43,242,225)	(32,617,825)	32.6%	(10,624,400)
Net Income	149,848,626	124,738,107	20.1%	25,110,519

*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units.

The results of this segment had a 20.1% increase in comparison to the previous financial year, mainly due to:

- An increase in external revenues, mainly due to higher supplied volumes in addition to higher average tariffs due tariff variations registered throughout 2015 and 2016.
- A 6.2% increase in costs due to higher employee benefits due to CPI increases and higher average personnel, in addition to increased number of staff, in addition to an increase in network maintenance and higher costs for enclosure and equipment maintenance, higher costs due to the Providencia matrix rupture contingency, an increase in sanitation infrastructure transfer requests due to higher activity, higher costs for sewage treatment plant operation due to the variation of the UF, higher lease costs, an increase in works requested by customers and higher client service costs.
- A decrease in depreciation and amortization costs which was mainly due to the end of the useful lives of certain assets, partially compensated by the depreciation of new investments that were incorporated during the period.
- An increase in other gains mainly due to Aguas Cordillera’s sale of a large terrain in the Vitacura commune.
- An improvement in the financial result in comparison to 2015 mainly due to lower debt revaluation due to a lower variation of the UF (indexation units).

- Higher tax expenses in 2016 in comparison to the previous year. This variation was justified mainly by higher revenues before taxes, in addition to the change in tax rate from 22.5% to 24% due to the Tax Reform which has been in place since September 2014.

3.2 ACCUMULATED RESULTS, NON WATER SEGMENT

INCOME STATEMENT (CLP\$ THOUSANDS)	DEC. 16	DEC. 15	% VAR.	2016 - 2015
External Revenues	22,886,570	25,820,556	(11.4%)	(2,933,986)
Revenues Between Segments	4,074,938	3,763,794	8.3%	311,144
Operation Costs and Expenses	(23,300,474)	(24,340,970)	(4.3%)	1,040,496
EBITDA	3,661,034	5,243,380	(30.2%)	(1,582,346)
Depreciation & Amortization	(719,000)	(586,907)	22.5%	(132,093)
Operating Income (EBIT)	2,942,034	4,656,473	(36.8%)	(1,714,439)
Other Gains (Losses)	(2,131,435)	114,260	<(200%)	(2,245,695)
Financial Result*	116,677	565,204	(79.4%)	(448,527)
Tax Expenses	(200,236)	(1,065,899)	(81.2%)	865,663
Net Income	727,040	4,270,038	(83.0%)	(3,542,998)

*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units.

The Non Water results decreased by 83.0% in comparison to the previous year, mainly due to:

- A decrease in external revenues mainly due to a decrease in Aguas del Maipo. This company did not register sales during the year due to the delay in the beginning of operations of the Methanization Plant which is being built in the La Farfana Plant. In addition to this, there is lower activity in Gestión y Servicios S.A (mainly due to lower activity in collector cleaning and engineering projects) which is partially compensated by higher sales by Análisis Ambientales.
- A reduction in costs mainly due to Gestión y Servicios' lower sales due to a decrease in the level of activity, in addition to lower expenses in Aguas del Maipo given that during 2016 the Plant was stopped due to changes in infrastructure.
- An increase in depreciations which mainly have to do with ANAM's Laboratory entering into operation during the last quarter of 2015.
- An increase in other losses mainly due to a provision in Gestión y Servicios due to the loss of bank guarantees which have been issued older than 4 years.
- A decrease in the financial result mainly generated due to the fact that in 2015, Aguas del Maipo had extraordinary revenues due to the sale of options in Eléctrica Puntilla, in addition to a decrease in received revenues.
- A decrease in tax expenses during 2016 mainly due to the decrease of earnings before taxed, which was partially compensated by an increase in the tax rate from 22.5% to 24%.

4. CONSOLIDATED QUARTERLY RESULTS

INCOME STATEMENT (CLP\$ THOUSANDS)	4Q16	4Q15	% VAR.	4Q16 - 4Q15
Revenues	131,554,539	126,710,892	3.8%	4,843,647
Operating Costs & Expenses	-53,571,269	-49,046,053	9.2%	(4,525,216)
EBITDA	77,983,270	77,664,839	0.4%	318,431
D&A	-16,936,134	-17,177,527	(1.4%)	241,393
Operating Income (EBIT)	61,047,136	60,487,312	0.9%	559,824
Other Gains	14,842,255	-158,715	<(200%)	15,000,970
Financial Result*	-8,412,003	-12,840,964	(34.5%)	4,428,961
Tax Expenses	-15,284,731	-10,231,914	49.4%	(5,052,817)
Net Income	25,396,251	17,826,792	42.5%	7,569,459

* Incluye ingresos financieros, costos financieros, diferencias de cambio y resultados por unidades de reajuste.

4.1. REVENUE ANALYSIS

a) Operating Revenues

Operating revenues in the fourth quarter of 2016 reached CLP\$ \$131,554,539 thousand, CLP\$4,843,647 thousand (3.8%) higher than that obtained in the same quarter of 2015. This variation was mainly due to higher supplied volumes in addition to an increase in the provision for non-billed consumption. The latter was partially compensated by lower activity in the non-regulated subsidiaries and due to revenues associated to works requested by the Ministry of Public Works during 2015.

4.2. EXPENSE ANALYSIS

a) Raw Materials and Consumables Used

During the fourth quarter of 2016, the cost of raw materials and consumables used amounted to CLP\$8,648,703 thousand, CLP\$388,398 thousand lower to that obtained in the same quarter of 2015. This decrease is mainly explained due to a decrease in the cost of sales of Gestión y Servicios due to a decrease in the level of activity.

b) Personnel Expenses

During the fourth quarter of 2016, personnel expenses amounted to CLP\$15,057,972 thousand, CLP\$1,522,843 thousand higher than the same quarter of the previous year. This was mainly due to higher remunerations and compensations associated to inflation readjustments for CLP\$367,587 thousand, higher average number of staff for CLP\$294,901 thousand, of which CLP\$95,541 thousand correspond to the internalization of Rural

Potable Water personnel, higher compensations for years of service for CLP\$941,519 thousand, associated to the payment of settlements during the year for CLP\$147,633 thousand, higher provisions in the actuarial calculation for CLP\$243.951 thousand. The latter was partially compensated by a higher cost associated with the early retirement plan in 2015 for CLP \$272,925 thousand.

c) Depreciation and Amortization Expenses

Depreciation and amortization expenses during the fourth quarter of 2016 amounted to CLP\$16,936,134 thousand, CLP\$241,393 thousand lower than that obtained in the same quarter of 2015. This increase was mainly due to the end of the useful lives of certain assets, partially compensated by the depreciation of new investments that were incorporated during the period.

d) Other Expenses

During the fourth quarter of 2016, other expenses amounted to CLP\$29,864,594 thousand, CLP\$3,391,066 thousand higher than that obtained in the same quarter of 2015. This was mainly explained by higher enclosure and equipment maintenance costs for CLP\$754,514 thousand, higher costs due to the paving of Providencia for CLP\$507,471 thousand, network maintenance and repair for CLP\$490,559 thousand, compensation to Metro S.A. due to the matrix rupture in Providencia for CLP\$464,457 thousand, higher costs due to an increase in the insolvency provision for CLP\$348,278 thousand, higher engineering service expenses for CLP\$291,846 thousand due to an increase in leasing activity for CLP\$195,607 thousand, higher costs associated with the operation of waste water treatment plants due to the readjustment of the UF (indexation units) for CLP\$175,933 thousand, in addition to higher removal of residue and sludge expenses for CLP\$117,736 thousand.

4.3. ANALYSIS OF FINANCIAL RESULTS AND OTHER RESULTS

a) Other Gains

The other gains as of the fourth quarter of 2016 amounted to CLP\$ \$14,842.255 thousand, \$15,000,970 thousand higher than that obtained during 2015. This was mainly due to Aguas Cordillera’s sale of a large terrain in the Vitacura commune.

b) Financial Income

Financial income for the fourth quarter of 2016 amounted to CLP\$1,344,200 thousand, CLP\$927,098 thousand in comparison to the same quarter of 2015, mainly explained by an inflation insurance policy which existed in 2015.

c) Financial Expenses

Financial expenses in the fourth quarter of 2016 amounted to CLP\$6,585,891 thousand, CLP\$199,615 thousand lower than that obtained in the same quarter of 2015. This decrease was mainly due to a higher activation of financial interests, mainly compensated by an increase in interests in bond payments and higher interests in promissory notes.

d) Results from Indexation Units

In the fourth quarter of 2016, there were losses for CLP\$3,163,247 thousand, amount which decreased by CLP\$5,165,128 thousand in comparison to the same quarter in 2015, mainly explained by a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the same quarter in 2015.

e) Expense (Income) due to Income Tax

The provision for income taxes totaled CLP\$15,284,731 thousand for the fourth quarter of 2016. This was CLP\$5,052,817 thousand higher in comparison to the same quarter of the previous year. This variation was

justified mainly by an increase in earnings before taxes for CLP\$19,989,755 thousand, in addition to the change in tax rate from 22.5% to 24% due to the Tax Reform.

f) Net Income

Net income for the fourth quarter of 2016 amounted to CLP\$25,396,251 thousand, CLP\$7,569,459 (42.5%) higher than that obtained for the same quarter of 2015.

5. BALANCE SHEET

	DEC. 16 CLP TH\$	DEC. 15 CLP TH\$	% VAR.
ASSETS			
Current Assets	183,335,457	149,878,646	22,3%
Long-Term Assets	1,861,126,917	1,813,935,150	2,6%
Total Assets	2,044,462,374	1,963,813,796	4,1%
LIABILITIES & SHAREHOLDER’S EQUITY			
Current Liabilities	212,350,061	233,356,245	(9,0%)
Long-Term Liabilities	873,274,457	787,470,368	10,9%
Total Liabilities	1,085,624,518	1,020,826,613	6,3%
Shareholder’s Equity	589,683,018	580,626,344	1,6%
Minority Interest	369,154,838	362,360,839	1,9%
Total Shareholder’s Equity	958,837,856	942,987,183	1,7%
Total Liabilities & Shareholder’s Equity	2,044,462,374	1,963,813,796	4,1%

5.1 ASSET ANALYSIS

Inversiones Aguas Metropolitanas’ consolidated total assets as of December 31 2016 had an increase of 4.1% in comparison with December 31 2015, going from CLP\$1,963,813,796 thousand to CLP\$2,044,462,374 thousand.

Current assets increased by CLP\$33,456,811 thousand, mainly due to an increase in cash and cash equivalents of CLP\$31,930,864 thousand, and of trade debtors and other accounts receivable for CLP\$6,329,748 thousand, mainly due to an increase in regulated sales and Aguas Cordillera’s sale of a large terrain in the commune of Vitacura. The latter was partially compensated by a decrease in accounts payable to related entities for CLP\$3,948,753 thousand due to the advance paid

during 2015 to Suez International (Ex Degrémont S.A.) due to the expansion of the fourth module of the Trebal-Mapocho Sewage Treatment Plant.

The non-current assets increased by CLP \$47,191,767 thousand mainly due to an increase in works in construction. The main investment works of the year are shown in the following table:

INVESTMENTS (CLP TH\$)	DEC-16
Expansion of the Mapocho-Trebal Waste Water Treatment Plant	33,934,848
Sewerage Network Renovation	9,066,665
Starter and Meter Renewal	5,577,508
Service Modifications due to Works on Vespucio- Kennedy	4,702,000
Potable Water Network Renovation	4,134,669
Chamisero Potable Water Treatment Plant	3,972,457
San Antonio Potable Water Treatment Plant	3,178,086

5.2 LIABILITIES AND SHAREHOLDERS' EQUITY ANALYSIS

Total liabilities as of December 31, 2016 increased by 6.3%, CLP\$64,797,905 thousand higher than that of December 2015.

Current liabilities decreased by CLP\$21,006,184 thousand. This variation was mainly due to the payment of the final installment of bond Series N for CLP\$32,036,363 thousand, in addition to a reduction in accounts payable to related entities for CLP\$7,153,918 thousand; partially compensated by an increase in promissory notes for CLP\$16,735,507 thousand.

Long-term liabilities increased by CLP \$85,804,089 thousand (10.9%). This is mainly due to an increase in bond debt of CLP\$84,719,222 thousand associated to the following issuances:

- Series Z:** for 1.0 million Unidades de Fomento, structured to 7 years, at a 2.15% rate.
- Series AA:** for 2.0 million Unidades de Fomento, structured to 24 years, at a 3.29% rate.

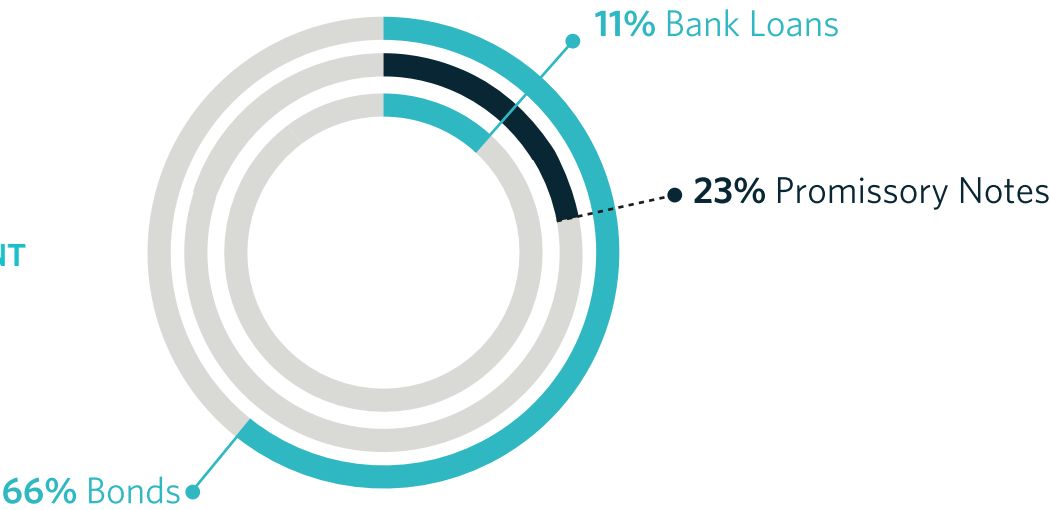
Total shareholders' equity increased by CLP\$15,850,673 thousand and the net equity attributable to the controllers increased by CLP\$9,056,674 thousand, mainly due to the earnings generated during the 2016, which is compensated by the distribution of dividends corresponding to the 2015 financial year.

The Company's consolidated debt amortization profile as of December 31 2016 is as follows:

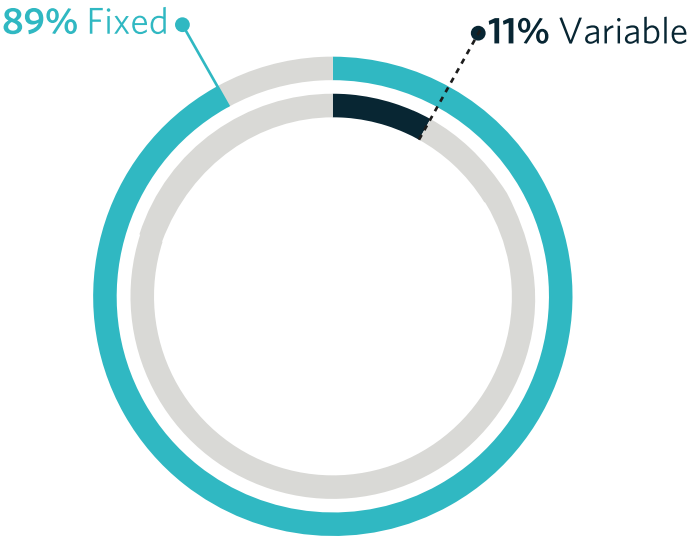
CAPITAL CLP TH.\$	CURRENCY	TOTAL	1 - 12 MONTHS	1 - 3 YEARS	3 - 5 YEARS	MORE THAN 5 YEARS
Promissory Notes	\$	192,648,443	26,535,097	28,473,787	22,486,617	115,152,942
Bonds	\$	552,968,608	8,905,924	44,525,773	19,275,625	480,261,286
Bank Debt	\$	96,093,999	2,074,790	50,589,003	43,430,206	0
Total		841,711,050	37,515,811	123,588,563	85,192,448	595,414,228

5.3 FINANCIAL LIABILITIES STRUCTURE

COMPOSITION BY INSTRUMENT



COMPOSITION BY INTEREST RATE



6. CONSOLIDATED CASH FLOWS

CASH FLOW STATEMENT (CLP\$ TH.)	DEC. 16	DEC. 15	% VAR.
Net Cash Flow from Operating Activities	232,773,738	211,900,063	9.9%
Net Cash Flow from Investing Activities	(93,203,205)	(91,751,420)	1.6%
Net Cash Flow from Financing Activities	(107,639,669)	(113,677,232)	(5.3%)
Total Net Cash Flow for the Period	31,930,864	6,471,411	393.4%
Closing Balance of Cash & Cash Equivalents	66,122,006	34,191,142	93.4%

EThe net cash flow from operating activities increased by CLP\$20,873,675 thousand, when comparing December 2016 to December 2015.

The main variations were as follows:

- An increase in the charges incurred from the sale of goods and services for CLP\$23,972,475 thousand, due to a higher average tariff.
- A decrease in the payment of subscribed policies for CLP\$1,883,815 thousand.
- A decrease of interests paid for CLP\$1,078,599 thousand.

These variations was partially compensated by the following concepts:

- An increase in the payment to suppliers for CLP\$5,178,874 thousand mainly due to an increase in payments to potable and waste water network maintenance and repair suppliers and electricity payments.
- An increase in the benefits paid to employees for CLP\$1,867,213 thousand mainly due to the readjustment of salaries due to CPI variations.

The disbursement for investment activities increased by CLP\$1,451,785 thousand mainly due to higher payments for the investment works for CLP\$25,135,894 thousand, partially compensated with the sale of assets whose variation of CLP\$24,396,736 thousand basically corresponds to Aguas Cordillera’s sale of a terrain.

Financing activities generated a negative variation of net cash flow of CLP\$6,037,563 thousand, this is due to the placement of bonds Series Z and AA for a total of 3.0 million UF at the beginning of this year, in comparison the placement of bon Series X in 2015 for 1.6 million UF. The latter was partially compensated by an increase in loan and bond payments for CLP\$19,161,207 thousand and higher dividend payments for CLP\$10,813,943 thousand.

7. FINANCIAL RATIOS

		DEC. 16	DEC. 15
LIQUIDITY			
Current Ratio	times	0.86	0.64
Acid Test Ratio	times	0.31	0.15
LEVERAGE			
Total Leverage	times	1.13	1.08
Current Leverage	times	0.20	0.23
Long-term Leverage	times	0.80	0.77
Interest Coverage Ratio	times	8.27	6.92
RETURN			
ROE	%	12.7	10.93
ROA	%	3.71	3.29
Earnings Per Share	CLP\$	74.29	63.28
Dividend Yield*	%	6.55	5.87

Current Ratio: Currents Assets / Current Liabilities.
Acid Test Ratio: Cash and Cash Equivalents / Current Liabilities.
Total Leverage: Total Liabilities / Total Shareholders’ Equity.
Current Leverage: Current Liabilities / Total Liabilities.
Long-Term Leverage: Long-Term Liabilities / Total Liabilities.
Interest Rate Coverage: Net Income before Taxes / Financial Costs.
ROE: Net Income / Average Assets.
ROA: Net Income / Average Assets.
Earnings per Share: Net Income / Total Shares.
Dividend Yield: Dividends Paid / Share Price
*Share price as of December 2016 was \$966.10. As of December 31, 2015 the share price was \$999.34

As of December 2016, the current ratio had an increase of 34.4% due to an increase in current liabilities of CLP\$33,456,810 thousand (22.3%) mainly due to the increase in regulated sales and Aguas Cordillera’s sale of a terrain in Vitacura, in addition to a decrease in current liabilities for CLP\$21,006,185 thousand (9.0%), mainly due to the payment of the last installment of bond Series N for CLP\$32,036,363 thousand.

Total leverage increased by 4.6% due to an increase in total liabilities of CLP\$64,797,904 thousand, mainly explained by the issuance of Bond Series Z and AA for a total of UF 3.0 million, partially compensated by the payment of the final instalment of Bond Series N. On the other hand, shareholders’ equity increased by CLP\$15,850,673 thousand, mainly due earnings generated in 2016, partially compensated by the distribution of dividends corresponding to the 2015 financial year.

The annualized return on equity attributable to the controller increased by 16.2% due to an increase in earnings generated in 2016 of CLP\$11,005,887 thousand in comparison to that generated in 2015, compensated by an increase in average equity of CLP\$6,024,566 thousand.

8. OTHER INFORMATION

A) TARIFFS

The most important factor that determines the Company’s results of operations and financial condition are the tariffs set for regulated services. As a water utility, the Company is regulated by the SISS, and our tariffs are set in accordance with the tariff law DFL No. 70 of 1988.

Tariffs are reviewed and set every five years and are adjusted in the interim period based on a polynomial index. The accumulated variation of the polynomial index must reach 3.0% or higher to produce a tariff adjustment. The polynomial index includes various inflation indices, specifically the Consumer Price Index (IPC), the Imported Goods of the Manufacturing Sector Price Index (IPBIM) and the Manufacturing Producers Price Index (IPPIIM). These indices are all published by the National Institute of Statistics (INE).

The latest adjustments for tariff indexations for each group/company were applied on the following dates:

AGUAS ANDINAS S.A.:	
Group 1	November 2015.
Group 2	November 2015.
Rinconada de Maipú	March – July – September 2015 and January 2016

AGUAS CORDILLERA S.A.:	
	November 2015

AGUAS MANQUEHUE S.A.:	
Santa María	March - November 2015 and March 2016.
Chicureo	October 2015.
Chamisero	March - September 2015 and November 2016.
Valle Grande 3	March - September 2015 and January 2016.

ESSAL S.A.:	
Group 1	March & October 2015.
Group 2	March & October 2015.
Group 3	March & October 2015.
Chiniquhue	March & December 2015.
Los Alerces	March & October 2015.

In addition, tariffs may also be adjusted when additional services/investments become operational. These adjustments are previously authorized by the SISS.

Aguas Andinas’ current tariffs for the 2015-2020 period were approved through Decree N°83 which was approved on June 5th 2015 and came into effect March 1st 2015 (these tariffs were published in the Official Newspaper on September 3rd 2015). Aguas Cordillera’s

current tariffs for the 2015-2020 period were approved through Decree N°152 which was approved on October 19th 2015 and came into effect June 30th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015). Aguas Manquehue’s current tariffs for the 2015-2020 period were approved through Decree N°139 which was approved on September 16th 2015 and came into effect May 19th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015). For ESSAL, Decree N°116 dated August 31 2011 sets its tariffs for the 2011-2016 period. To date, the 2016 -2020 tariff process has concluded and the Company has reached an agreement with the SISS, however, the decree has not been published.

B) MARKET RISK

Our Company has a favorable situation in terms of risk, mainly due to the particular characteristics of the sanitation industry. Operational results follow a seasonal pattern and may vary from quarter to quarter. The highest levels of demand and revenues are registered during the summer months (December to March) and lower levels of demand and revenues during the winter months (June to September). In general, demand for water is higher in warmer months, mainly due to the additional water needs caused by irrigation and other outdoor water uses.

Adverse weather conditions could potentially affect optimal delivery of services, because the processes of extracting and producing drinking water depend largely on weather conditions that develop in watersheds. Climate factors such as rainfall, snow, hail, temperature and moisture as well as other factors such as sediment and water levels in rivers determine not only the quantity, quality and continuity of raw water available at each intake point, but also determine the probability that water is properly treated in the water treatment plants.

In the event of prolonged drought, the Company has significant reserves of water that in the El Yeso, Laguna Negra and Lo Encañado reservoirs. Additionally the Company has developed contingency plans to mitigate the effects from adverse climate conditions that could affect our operations. The Metropolitan Region has been affected by drought conditions since 2010. The Company has implemented several contingency plans such as the purchase raw water, increase use of wells and the lease and purchase of water rights, among other measures to reduce the impact of the drought and continue to provide quality, timely services.

C) MARKET ANALYSIS

The market in which the Company participates has not varied given that by the nature of its services and under current legislation, it has no competition in its concession area.

Aguas Andinas S.A. has 100% service coverage in drinking water, 98.7% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Cordillera S.A. has 100% service coverage in drinking water, 98.8% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Manquehue S.A. has 100% service coverage in drinking water, 99.0% service coverage in sewage collection and 100% service coverage in sewage treatment.

Essal S.A. has 100% service coverage in drinking water, 95.7% service coverage in the X Region and 92.3% in the XIV Region of sewage collection and 100% service coverage in sewage treatment.

D) CAPITAL INVESTMENTS

One of the variables that influence the results of the operations and the financial condition of the Company are capital investments. There are two types:

Committed Investments: The Company has the obligation to agree on an investment plan with the industry regulator (S.I.S.S). The investment plan outlines investments that will be made in the subsequent 15-year period. Specifically, the plan includes certain projects related to maintaining certain quality standards and service coverage. The investment plan is subject to review every five years, and amendments may be made given certain circumstances.

Dates of approval and dates of updates to the investment plan for the Aguas Group:

Aguas Andinas S.A.
Gran Santiago: December 23 2015
Other Areas: September 12 2012, April 5 2013, September 26 2013, December 31 2014 and January 12 2015.

Aguas Cordillera S.A.
Aguas Cordillera and Villa Los Dominicos: December 21 2015

Aguas Manquehue S.A.
Santa María and Los Trapenses: December 23 2014
Chicureo, Chamisero, and Valle Grande III: December 29 2011
Alto Lampa: November 22 2013

Essal S.A.
X and XIV Region: December 30 2010

Uncommitted Investments: Uncommitted investments are those investments that are not included in the

committed investment plan that the Company chooses to carry out voluntarily to ensure the quality of services and to replace obsolete assets. These investments are generally related to the replacement of network infrastructure and other assets, the acquisition of certain water rights and investments in unregulated businesses, among others.

According to IAS 23 of the International Financial Reporting Standards (IFRS), the current accounting standard in Chile, interest on capital investments is capitalized during the construction phase. IAS 23 outlines that when a company acquires debt in order to finance investments, the interest on that debt must be subtracted from financial expenses and incorporated into the financed construction project, for up to the full amount of interest. Consequently, the financial costs associated with our capital investment plan affects the amount of financial expenses recorded in the income statement. These financial costs are recorded along with ongoing works in the line item Property, Plant and Equipment of the balance sheet.

E) FINANCIAL ASPECTS

Currency Risks: Our revenues are largely linked to the evolution of the local currency (Chilean peso). Because of this factor, the Company’s debt is mainly denominated in Chilean pesos or financial instruments linked to the Chilean peso, specifically the UF. As a result, the Company does not significant risk of foreign currency transactions.

Interest Rate Risk: As of December 31, 2016, the Company’s interest rate profile consisted of 88.5% fixed rate and 11.5% variable rate. The fixed rate debt includes short-term and long-term bonds (74.2%) and promissory notes (25.8%), while the variable rate debt includes bank debt with local financial institutions.

As of December 31, 2015, the Company’s interest rate profile consisted of 87.5% fixed rate and 12.5% variable rate. The fixed rate debt includes short-term and long-term bonds (74.2%) and promissory notes (25.8%), while the variable rate debt includes bank debt with local financial institutions.

The company has a policy of monitoring and managing its interest rate, with the aim of optimizing the cost of financing. It continuously evaluates available hedging instruments in the financial market.

This favorable situation has meant that the local rating agencies have assigned the Company a solvency rating of AA+. In the case of our stocks, Feller Rate has assigned us a rating of first class level 1 and Fitch Ratings has assigned us a rating of first class Level 2.

Aguas Andinas S.A, and Subsidiaries

BACKGROUND INFORMATION

Name	: Aguas Andinas S.A.
Type of Entity	: Publicly Traded Corporation
Inscription in Registry of Values	: N° 0346
Address	: Avenida Presidente Balmaceda N° 1398, Santiago Chile
Phone	: (56-2) 688 1000
Fax	: (56-2) 569 2777
Tax ID Number (RUT)	: 61.808.000-5
Postal Box	: 1537 Santiago
Purpose	: Intake, purification, distribution of potable water and disposal of wastewater
Service line	: (56-2) 731 2482
Website	: www.aguasandinas.cl
Capital subscribed and paid	: Th\$ 155,567,354
External Auditors	: Ernst & Young

Legal Constitution of the Company

Aguas Andinas S.A. was established as a public company by public deed on May 31 1989 in Santiago, before the Notary Public Mr. Raúl Undurraga Laso. An extract of the bylaws was published in the Official Gazette on June 10, 1989, registered in the Business Registry at pages 13,891, N° 7,040 of 1989 of the Real Estate Conservator of Santiago.

Legal Aspects

The Company is registered in the Registry of Values of the Superintendence of Securities and Insurance under N° 0346 per Law N° 18,777. As a company in the sanitation sector it is monitored by the Superintendence of Sanitation Services, in compliance with Law N° 18,902 and Law Decrees N° 382 and N° 70, both from 1988.

Corporate Purpose

The Company’s corporate purpose is the supply of sanitation services that includes the construction and exploitation of public services intended to produce and distribute drinking water and collect and dispose of wastewater, within the concession area distributed in Greater Santiago, peripheral areas and in the Los Rios and Los Lagos Regions, except for the city of Valdivia. To offer comprehensive service to customers, the Company also owns non-sanitation subsidiaries offering diversified services such as the treatment of industrial wastes, commercialization of materials and technical analysis.

Board of Directors

President	: Guillermo Pickering de la Fuente
Named board members	: Bruno Philippi Irarrazabal Herman Chadwick Piñera Fernando Samaniego Sangroniz Rodrigo Manubens Moltedo Ricardo Escobar Calderon Pedro Sierra Bosch
Alternate board members	: Sonia Tschorne Berestesky Loreto Silva Rojas Rodrigo Terre Fontbona Laureano Cano Iniesta Christophe Cros
General Manager	: Narciso Berberana Saenz
Corporate Managers:	
Engineering and Systems Planning	: Jorge Cabot Plé
Finances and Purchasing	: Iván Yarur Sairafi
People, Organization and Innovation	: Sandra Andreu Pezareix
Operations	: Manuel Baurier Trias
Legal Matters	: Camilo Larraín Sánchez
Customer Service	: Eugenio Rodriguez Mingo
Communications and Public Relations	: Ana Isabel Olate Soto

Percentage of Parent participation : 50.10234%

Proportion representing the investmentin assets of the Parent: 51.83%

Relationship with the Parent

In 2016 there was only one office lease contract with Inversiones Aguas Metropolitana S.A. for the installation of Aguas Andinas S.A.’s corporate headquarters, which is paid monthly. In the future similar business relationships are expected.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These consolidated financial statements correspond to the state of the financial situation as of December 31, 2016 and the state of comprehensive earnings of its operations, the state of changes in net assets and cash flows for the year ending on that date, which have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter “IASB”), and represent the comprehensive, explicit adoption of the aforementioned IFRS without reservations.

The consolidated financial statements issued through December 31, 2015 were originally prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular N°856 of October 17, 2014 that instructs the audited entities to register in the respective period the differences against equity in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780.

On January 1, 2016, the Company applied the re-adoption of the IFRS, in accordance with paragraph 4A of IFRS 1 Initial Adoption of International Financial Reporting Standards, “as if it had never failed to apply them.” This re-adoption did not entail adjustments to the consolidated financial statements as of December 31, 2015.

The Group complies with the legal requirements of the environment in which it operates, particularly the sanitation subsidiaries with respect to the specific regulations of the sanitation sector. The Group’s companies have normal operating conditions in each area in which they operate. Each company’s projections show a profitable operation and they are able to access the financial system to finance their operations, which in the opinion of management determines their ability to continue as a company, as established by the accounting standards under which these consolidated financial statements are issued.

Functional and presentational currency

The financial statements of each of the Companies that make up the Group are presented using the currency of the principal economic environment in which those companies operate (Functional currency). For the purposes of the consolidated financial statements, the results and financial position of each company in the Group are shown in Chilean pesos (rounded to thousands of pesos), which is the functional currency of the Company and its subsidiaries, and the presentational currency for the consolidated financial statements.

New accounting pronouncements

The standards and interpretations, as well as improvements and modifications to the IFRS that have been issued, effective as of the date of these financial statements, are detailed below. The Company has applied these standards concluding that they did not materially affect the financial statements:

IMPROVEMENTS AND MODIFICATIONS	DATE OF MANDATORY APPLICATION
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016

The standards and interpretations, as well as improvements and modifications to the IFRS, which have been issued but not yet come into effect as of the

date of these financial statements, are detailed below. The Company has not applied these rules in advance:

NEW IFRS	DATE OF MANDATORY APPLICATION
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRIC 22, Foreign Currency Transactions and Prepaid Expenses	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019

IMPROVEMENTS AND MODIFICATIONS	DATE OF MANDATORY APPLICATION
IFRS 12, Disclosures about participation in other Companies	Annual periods starting on or after January 01, 2017
IAS 7, Statement of Cash Flows	Annual periods starting on or after January 01, 2017
IAS 12, Income tax	Annual periods starting on or after January 01, 2017
IFRS 2, Share-based Payments	Annual periods starting on or after January 01, 2018
IFRS 4, Insurance contracts	Annual periods starting on or after January 01, 2018
IAS 40, Investment Properties	Annual periods starting on or after January 01, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2018
NIIF 10, Consolidated Financial Statements	To be determined

Responsibility for the information and estimates made

The information contained in these consolidated financial statements is the responsibility of the Board of Directors of the Company, which states that it has applied all principles and criteria included in the International Financial Reporting Standards (IFRS) and the instructions imposed by the SVS. The Board of Directors, in a meeting held on March 29, 2017, approved these consolidated financial statements.

The consolidated financial statements of Aguas Andinas S.A. and Subsidiaries for the period 2015 were approved by the board at its meeting held on March 30, 2016.

Estimates such as the following have been used in the preparation of the consolidated financial statements:

- Useful life of fixed intangible assets
- Valuation of assets and goodwill purchased (commercial funds or lower investment value)

- Losses through impairment of assets
- Assumptions used in the actuarial calculation of employee severance benefits
- Assumptions used in the calculation of fair value of financial instruments
- Revenues from supplies with invoice pending
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of these consolidated financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing the effects of such changes in the corresponding future consolidated financial statements.

2.2 ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements.

A. Consolidation Basis

The consolidated financial statements include the financial statements of the Company and the entities controlled by it (its subsidiaries). Subsidiaries are those entities in which the Group has the power to direct their important activities, has the right to variable returns relating to its participations and the capacity to use such power to influence the amount of the returns of the investor. The subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from the consolidation when such control ceases.

All transactions, balances, losses and gains between Group entities are eliminated in the consolidation process.

The Company and its subsidiaries follow the Group’s policies uniformly.

The subsidiaries included in the consolidated financial statements of Aguas Andinas S.A. are the following:

TAX ID	COMPANY NAME	DIRECT %	INDIRECT %	TOTAL 2016 %	DIRECT %	INDIRECT %	TOTAL 2015 %
96.809.310-K	Aguas Cordillera S.A.	99.990300	0.00000	99.990300	99.990300	0.00000	99.990300
89.221.000-4	Aguas Manquehue S.A.	0.000400	99.999600	100.00000	0.000400	99.999600	100.00000
96.967.550-1	Análisis Ambientales S.A.	99.000000	1.00000	100.00000	99.000000	1.00000	100.00000
96.945.210-3	Ecoriles S.A.	99.038500	0.961500	100.00000	99.038500	0.961500	100.00000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2.506500	51.00000	53.50650	2.506500	51.00000	53.50650
96.828.120-8	Gestión y Servicios S.A.	97.847800	2.152200	100.00000	97.847800	2.152200	100.00000
96.897.320-7	Inversiones Iberaguas Ltda.	99.999998	0.000002	100.00000	99.999998	0.000002	100.00000
76.190.084-6	Aguas del Maipo S.A.	82.649996	17.350004	100.00000	82.649996	17.350004	100.00000

B. Operative segments

IFRS 8 sets the standards for reporting with respect to the operative segments and disclosures relating to products and services. Operative segments are defined as components of an entity for which separate financial information exists which is regularly reviewed by Management for making decisions on the assignment of resources to the subsidiaries and evaluating their performance.

The Group manages and measures the performance of its operations by business segment. The operative segments reported internally are:

- Operations related to the sanitation business (Water).
- Operations unrelated to the sanitation business (Non-Water).

C. Intangible assets other than goodwill

The Company recognizes an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued.

i. Intangible assets acquired separately

Intangible assets acquired separately are shown at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful lives and the amortization method are revised at the closing of each statement of position, accounting for the effect of any change in the estimate from then on prospectively.

ii Amortization method for intangibles:

Intangibles with defined useful lives

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method.

Computer programs

The estimated useful life of software is 4 years. For those other assets with defined useful lives, the useful life for amortization relates to the periods defined in the contracts or rights originating from them.

Intangibles with indefinite useful lives

Intangible assets with indefinite useful lives relate mainly to water rights and easements which were obtained on an indefinite basis, as established in the acquisition contracts and the rights obtained from the General Water Authority of the Ministry of Public Works.

Determination of useful life

The factors that should be considered for the estimation of the useful life include the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (obsolescence of products, changes in demand).
- Expected reactions of present or potential competitors.
- Natural or climatic factors and technological changes that affect the capacity to generate profits.

The useful life may require modifications over time due to changes in estimates as a result of changes in assumptions about the above-mentioned factors.

D. Goodwill

Goodwill (less the value of investments or commercial fund) generated in the business consolidation represents the excess of acquisition cost over the Group’s participation in the fair value of the assets and liabilities, including identifiable contingent liabilities of a subsidiary at the date of the acquisition.

The valuation of assets and liabilities acquired is made provisionally on the date control of the company is taken, and then revised within a maximum of one year from the acquisition date. Until the fair value of assets and liabilities is determined definitively, the difference between the acquisition price and the book value of the acquired company is shown provisionally as goodwill.

In the event the definitive determination of goodwill is made in the financial statements of the year following the acquisition of the participation, the items of the previous year shown for comparison purposes are modified to incorporate the value of the acquired assets and liabilities and the definitive goodwill from the date the participation was acquired.

Goodwill generated prior to the date of our transition to IFRS, i.e. January 1, 2008, is maintained at the net value registered at that date, while goodwill generated later is registered using the acquisition method.

Goodwill is not amortized but an estimate is made at the end of each accounting period as to whether any impairment has occurred that reduces the recoverable

value to below the net book cost, in which case an adjustment for impairment is made, as required by IAS 36.

E. Property, plant and equipment

The Company follows the cost method for the valuation of Property, Plant and Equipment. Historic cost includes expenses directly attributable to the acquisition of the asset.

Subsequent costs are included in the value of the initial asset or are shown as a separate asset, only when it is probable that future economic benefits associated with the elements of fixed assets are going to flow to the Group and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.

Depreciation method and estimated useful life for property, plant and equipment:

The depreciation method applied by the Company reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company therefore uses the straight-line depreciation method over the technical useful life, based on technical studies prepared by independent experts (external specialist firms). The residual value and useful life of assets are revised and adjusted if necessary at each closing of the Statement of Financial Position.

When the value of an asset is higher than its estimated recoverable amount, this is reduced immediately to the recoverable amount.

Useful lives

The useful lives considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been modified.

The assignment of the total useful life for assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

- 1. Nature of the component materials in equipment or buildings
- 2. Operating environment of the equipment
- 3. Intensity of use
- 4. Legal, regulatory or contractual limitations

The range of useful life (in years) by type of Asset is as follows:

ÍTEM	USEFUL LIFE (YEARS) MINIMUN	USEFUL LIFE (YEARS) MAXIMUN
Buildings	25	80
Plant and equipment	5	50
Computer technology equipment	4	4
Fixed installations and accessories	5	80
Motor vehicles	7	10
Improvements to leased goods	5	5
Other properties, plants and equipment	5	80

Policy for estimating costs of dismantling, retirement or renovation of property, plant and equipment:

Due to the nature of the assets constructed in the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these financial statements.

Fixed asset sales policy

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are registered in the Consolidated Statement of Comprehensive Earnings.

F. Impairment of tangible and intangible assets except goodwill

The Group revises the book values of its tangible and intangible assets at each closing date of the Consolidated Statement of Financial Position, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered. When it is not possible to estimate the recoverable value of an asset in particular, the Group

estimates the fair value of the Cash Generating Unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested annually for impairment or when there are indications that the asset might have suffered impairment before the end of the period.

The recoverable value is the greater of its fair value less sale costs and the value in use. In estimating the value in use, the present value is calculated of the future cash flows of the assets analyzed using a pre-tax discount rate that reflects both the actual conditions of the money market at the time and the specific risks associated with the asset.

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the

asset (or cash-generating unit) had been booked in previous periods.

G. Leases

i. Financial leases

Leases are classified as financial leases when the conditions of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operative leases.

ii. Operative leases

Operative lease payments are booked as an expense on a straight-line basis over the term of the lease, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed. Contingent leases are shown as expenses in the period in which they are incurred.

Should lease incentives be received in order to agree an operative lease, such incentives are booked as a liability. The accumulated benefit of incentives is shown on a straight-line basis as a deduction from the leasing expense, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed.

iii. Implicit leases

The Company and subsidiaries review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

H. Financial assets

The acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on

which the Group commits to acquire or sell the asset. Investments are written down when the rights to receive cash flows from the investments have been transferred and the Group has passed substantially all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

- Financial assets at fair value with changes in results.
- Investments held to maturity.
- Loans and accounts receivable.
- Financial assets available for sale.

The classification depends on the nature and purpose of the financial assets and is determined at the time of their initial booking.

Aguas Andinas S.A. and its subsidiaries invest in low-risk instruments that meet the classification standards established in their investment policies. The mutual funds invested in must therefore have a rating of AAfm / M1 (quotas with very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Time deposits and repurchase agreements are instruments classified N-1 (instruments with the highest capacity for paying the principal and interest on the agreed terms and maturities).

The issuing institutions of these instruments are bank Companies or subsidiaries of the Banks with an N-1 credit rating, and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which

would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

ii. Financial assets at fair value with changes in results

Financial assets are shown at fair value through results when the asset is held for trading or is designated as at fair value with changes in results.

Financial assets at fair value with changes in results are valued at fair value and any resultant loss or gain is booked in results. The net loss or gain booked in results includes any dividend or interest received on the financial asset.

As of December 31, 2015, the Company and its subsidiary Aguas del Maipo S.A. hold shares in Sociedad Eléctrica Puntilla S.A., which have been valued at their fair value at the acquisition date, as defined in IAS N°. 39. Their subsequent measurement will be at cost because there is no active market, as provided in the same standard.

iii. Loans and accounts receivable

Commercial debtors, loans and other accounts receivable are non-derivative financial assets that have

fixed or determinable payments and that are not traded on an active market, classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest-rate method less any loss for impairment, except for short-term accounts receivable where the booking of interest would be immaterial.

Commercial debtors and other accounts receivable

Commercial debtors relate to the billing of water consumption, sewage services, sewage treatment and other services, and to the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the financial statements. These are shown net of the estimate of bad debts or debts with doubtful recovery.

The commercial debtors policy is subject to the credit policy, which sets the payment conditions, and also the different scenarios for reaching agreements with overdue customers.

Policy for impairment of commercial debtors and other accounts receivable

The Company periodically evaluates impairments affecting its financial assets. The amount is booked as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in “other expenses.” When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the following historic information: considering recovery statistics, which indicate that eighth months after billing the possibility of recovery is marginal, i.e. the probability of recovery of the amount billed is minimal.

In Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a 100% provision is made for customers with debts more than 8 months overdue.

For Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a provision of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

For the subsidiaries Gestión y Servicios S.A., Anam S.A., Ecoriles S.A. and Aguas del Maipo S.A., a 100% provision is made for customer debts more than 120 days overdue.

A 100% provision is made for overdue notes receivable.

I. Inventories

Materials, spares and inputs are shown at cost, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued annually and are booked at market value, if less.

J. Dividends policy

The Company's dividends policy is to distribute 30% of the earnings for each year as a final dividend, plus 70% as an additional dividend provided financial conditions permit, subject to approval by the Ordinary Shareholder Meeting and provided the present level of capitalization is maintained and is compatible with the investment policies.

The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less

than the 30% referenced, the, the respective provision will be registered.

K. Foreign currency transactions

Assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each period, these being:

CURRENCY	31-12-2016 \$	31-12-2015 \$
United States Dollar	669.47	710.16
Euro	705.60	774.61

Foreign currency transactions are translated to the functional currency using the exchange rates on the date of the transactions. Foreign currency gains and losses resulting from the liquidation of these transactions and their conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the consolidated statement of comprehensive results.

Exchange differences are booked to results for the period in which they accrue.

L. Financial liabilities

Loans, payable bonds and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate, except for transactions for which hedge contracts have been signed, which are valued as described in the following section.

M. Derivative financial instruments and hedge accounting

The employment of derivative financial instruments by Aguas Andinas S.A. and subsidiaries is governed by

the Group’s financial-risk management policies, which establish the guidelines for their use.

The Group uses derivative financial instruments for hedging instruments to reduce risks from inflation, interest-rates and exchange rates on current positions to which it is exposed due to its business.

Derivatives are recorded at fair value on the date of the financial situation statement. In the case of financial derivatives, if the value is positive it is booked under "Other Financial Assets" and if negative under "Other Financial Liabilities."

Changes in the fair value are booked directly in results, except when a derivative has been designated as a hedge accounting instrument and meets all of the conditions established by the IFRS to apply hedge accounting.

The treatment of hedging operations with derivative instruments are the following:

Hedges of fair value. Changes in the market value of derivative financial instruments designated as hedges, as well as the items hedged, are shown as a credit or charge to financial results in the respective result accounts.

Hedges of cash flows and net foreign-currency investments. Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in an equity reserve called “cash flow hedge,” while the ineffective part is shown in results. The amount shown in equity is not passed to the results account until the results of the transactions hedged are shown there or until the expiration date of such transactions.

In the event of discontinuation of the hedge, the net equity loss or gain accumulated to that date is maintained until the underlying hedged transaction is realized. At that moment, the accumulated loss or gain in equity will be reversed in the results account affecting that transaction.

Financial instruments are shown at their fair value at the close of each period. In the case of derivatives not traded on organized markets, the Group uses assumptions based on market conditions on that date for their valuation.

Effectiveness. A hedge is considered to be highly effective when the changes in fair value or the cash flows of the underlying item directly attributable to the risk hedged are offset by changes in the fair value or cash flows of the hedge instrument, with an effectiveness of between 80% and 125%.

Implicit derivative. The Group also evaluates the existence of derivatives implicit in contracts and financial instruments to determine whether their characteristics and risks are closely related to the principal contract, provided the combination is not being booked at fair value. If they are not closely related, they are booked separately, with the variations in value being taken directly to the consolidated statement of results.

N. Provisions and contingent liabilities

The Group registers a provision when there is a present obligation as a consequence of past events, for which it is probable that the Group will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

The quantification of the provisions is made taking into account the best available information on the

matter and its consequences and is reviewed at each accounting closing. The provisions made are used to cover the specific risks for which they were originally shown, their full or partial revision being required when such risks disappear or reduce.

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Group makes no provision for these concepts; if there were, as is required in the same regulation, they would be detailed in Note 15.

O. Employee benefits

The obligation of termination benefits which are estimated to accrue to employees who retire in Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., are shown at the actuarial value determined using the projected credit-unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the rates of turnover, mortality, wage increases or discount rate, are determined in accordance with IAS 19, in other comprehensive results, thus directly affecting Equity, and then later re-classified in accumulated earnings.

Aguas Andinas S.A.

Compensation benefits for years of service in Aguas Andinas S.A. are governed by the Labor Code, except for the amount of the indemnity in any event accumulated to July 31, 2002 and the termination benefit of 1.45 monthly wages, excluding voluntary resignation, without any amount or age limit for workers subject to current collective agreements and those, who through their individual work contract enjoy this benefit. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective

agreement also states that workers who retire from Aguas Andinas S.A. within 120 days of the date when they reach the legal retirement age, can have access to the benefits under the collective contract, and continue to accrue this benefit after July 2002.

Aguas Cordillera S.A. and Aguas Manquehue S.A.
Compensation for years of service in Aguas Cordillera S.A. and Aguas Manquehue S.A. are governed as indicated in the Labor Code, except the amount of the indemnity in any event accumulated through December 31, 2002 and the termination benefit of 1 monthly wage without any amount or age limit for workers covered by current collective agreements and for those to whom this benefit is extended through their individual work contract. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

ESSAL S.A.
Indemnities to workers forming part of or who are incorporated into the current collective agreement at the date of the financial statements are calculated at their actuarial value only in the case of retirement and death. In those cases there is a limit of six months for purposes of payment. In other cases, the rules of the Labor Code apply, i.e. they have no right to an indemnity except for dismissal and with a limit of 11 months wages.

Advances granted to personnel against these funds are shown deducted from outstanding obligations. These will be imputed in the final indexed settlement in accordance with the provisions of the mentioned contracts.

There are no benefits of this kind in the other subsidiaries.

P. Income tax and deferred taxes
The charge for income tax relates to the sum of income tax payable and variations in deferred tax assets and liabilities.

Income tax payable is determined on the basis of the tax result for the period. The income tax payable by the Group is calculated using the tax rates that have been approved or that are in the approval process, on the closing date of the statement of financial position.

Deferred taxes are shown on the basis of differences between the book values of assets and liabilities in the financial statements and the corresponding tax figures used in the calculation of the tax result, and are booked in accordance with the liability method. Deferred tax liabilities are booked for all taxable timing differences, and deferred tax assets are shown for all deductible timing differences provided it is probable that there will be future tax benefits to be able to offset such differences. Deferred tax assets or liabilities are not booked if the timing differences arise from the reduced value or initial booking (except in a combination of businesses) of other assets and liabilities in a transaction that does not affect the tax or financial results.

The book value of deferred tax assets is revised on the closing date of each financial position statement and is reduced to the extent that it is unlikely there will be sufficient tax results available to permit the recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect at the time of settling the liability or realizing the asset, based on the tax

rates that have been approved or have almost finalized the approval process at the close of the statement of financial position. The measurement of deferred assets and liabilities reflects the tax consequences produced in the way the Group expects to recover or settle the book values of its assets and liabilities at the date of report.

Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities and these are related to the same entity and tax authority.

Q. Ordinary revenue

Policy for accounting for ordinary revenue
Revenue is booked arising from all normal operations and other events at the fair value of the payment received or receivable taking into account the terms of payment, rebates and credit notes, and provided the amount of revenue can be measured reliably.

Policy for booking of ordinary revenue from sales of goods
Revenue from sales of goods is booked once the risk and significant advantages deriving from ownership of the goods are transferred, the Company retains no relationship with the asset sold, the amount of revenue can be measured reliably, it is probable that the company will receive the economic benefits associated with the sale and the costs incurred in the transaction can also be measured reliably.

Policy for booking of ordinary revenue from sales of services
Revenue from sales of services is measured at fair value. Billing is carried out on the basis of actual consumption or work carried out of the consideration receivable, net of returns, trade discounts and rebates, so the revenue is booked when it is transferred to the

client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

The services area of the sanitation companies is divided into billing groups which determine dates for meter readings and later billing. This process is developed based on a calendar month, which leads to the end of each month are unread consumption, and therefore, not billed. For the purposes of revenue accounting, the society makes an estimate of unbilled consumption.

For some sanitation service billing groups, information is held on consumption metered, to which the corresponding tariff is applied. For other groups, there is no metering data available at the date of the monthly closing; an estimate is therefore made on the basis of data from the previous month valued at the current tariff, whether normal or on consumption. Any difference between the actual and estimated consumption is corrected the following month.

The transfer of risks and benefits varies according the business of the company. For the sanitation service companies, the provision of services and all associated charges are made according to actual consumption, and a monthly provision is made for consumption not yet billed, based on the previous billing. For the companies Anam S.A., Ecoriles S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A., invoicing is made on the basis of work performed.

Method used for determining state of termination of services
The provision of the sanitation services is confirmed through the metering of consumption, in accordance with corresponding legislation, while the non-sanitation subsidiaries do so once the services and/or respective reports are completed.

Revenue under agreements with property developers is booked as ordinary revenue provided it complies with the conditions of each contract that ensure that the related economic benefits will flow to the Company.

R. Earnings per share

Basic earnings per share is calculated as the earnings (loss) attributable to the holders of equity of the controller divided by the average weighted number of common shares in circulation during the periods ending December 31, 2016 and 2015.

During the years 2016 and 2015, the Group has not carried out any kind of operation with a potential diluting effect that supposes that diluted earnings per share are any different to basic earnings per share.

S. Information on the environment

Assets of an environmental kind are those used constantly in the business of the Company and subsidiaries, whose principal objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of Aguas Andinas S.A. and subsidiaries’ businesses.

These assets are valued at cost, like any other asset. The Company and subsidiaries amortize these elements on a straight-line basis as a function of the estimated remaining years of useful lives of the different elements.

T. Consolidated statement of cash flows

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under the following criteria:

Cash and cash equivalents: Inflows and outflows of cash and equivalent financial assets, these being understood to be easily-liquidated short-term investments with a low risk of variation in their value (maximum term of 3 months from investment date, and unrestricted).

Operating activities: Typical activities of the normal business operation of the Society and subsidiaries, plus others that cannot otherwise be defined as for investment or financing activities.

Investment activities: The acquisition, disposal or use by other means of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: Activities that produce changes in the amount and composition of net equity and liabilities not forming part of the ordinary activities.

U. Construction contracts

For construction contracts, the Group uses the “percentage progress method” for booking revenues and expenses referring to a contract being carried out. By this method, the revenues under the contract are compared with the related costs incurred according to the degree of progress made, which results in the amount of the ordinary revenue, expenses and earnings that may be attributed to the portion of the contract carried out.

Contract costs are booked when incurred. When the result of a construction contract cannot be estimated reliably, and it is probable that the contract is going to be profitable, contract revenues are booked over the term of the contract. When it is probable that the contract costs are going to exceed the total revenues,

the expected loss is booked immediately as an expense in the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are booked only to the extent of the contract costs incurred that will probably be recovered.

The Group shows as an asset the gross amount due by customers for the work of all the contracts in progress for which the costs incurred plus booked profits (less booked losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and the withholdings are included in “trade debtors and other accounts receivable”.

The Group shows as a liability the gross amount due to customers for the work of all contracts in progress for which the partial invoicing exceeds the costs incurred plus booked profits (less booked losses).

V. Capitalized financing costs

Interest-bearing loans policy:

The costs of loans directly attributable to the acquisition, construction or production of assets that meet the conditions for their qualification are capitalized, thus forming part of the cost of such assets.

Interest-cost capitalization policy:

Interest paid or accrued on debt used to finance qualified assets is capitalized, as stipulated in IAS 23 which states that when the entity acquires debt to finance investments, the interest on that debt should be deducted from the financial expense and incorporated in the construction project financed, up to the total amount of such interest, applying the respective rate to the disbursements made to the date of presentation of the financial statements.

W. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2015, according to the following detail:

RECLASSIFICATIONS	CHANGE/ (DECREASE) TH\$
STATUS OF EARNINGS BY NATURE:	
Other (losses) earnings	-38,570
Other costs, by nature	38,570

STATEMENTS OF CONSOLIDATED FINANCIAL SITUATION	2016 TH\$	2015 TH\$
ASSETS		
Current assets	182,071,355	148,629,745
Non-current assets	1,589,747,781	1,542,568,103
Total Assets	1,771,819,136	1,691,197,848
LIABILITIES		
Current liabilities	211,931,051	232,407,312
Non-current liabilities	873,005,660	787,200,069
Equity	634,157,180	617,195,977
Minority participations	52,725,245	54,394,490
Total Equity and Liabilities	1,771,819,136	1,691,197,848
COMPREHENSIVE EARNINGS STATEMENT		
Normal Revenues	492,002,980	473,396,705
Operational costs	-267,499,304	-259,126,706
Financial Revenues	-20,643,577	-21,322,586
Others distinct from operations	-5,580,178	-26,579,831
Income Tax	-43,442,462	-33,683,724
Minority participations	-4,261,793	-3,675,713
Yearly earnings	150,575,666	129,008,145
STATEMENT OF DIRECT CASH FLOW		
Net cash flows of operational activities	234,098,851	214,469,492
Net cash flows of investment activities	-93,180,602	-91,751,420
Net cash flows of financing activities	-108,995,335	-115,966,697
Net increase (decrease) on cash and cash equivalents	31,922,914	6,751,375
Initial balance of cash and cash equivalents	32,953,529	26,202,154
Closing Balance of Cash and Cash Equivalents	64,876,443	32,953,529

BALANCE SHEET

as of December 31, 2016 and 2015

	INVERSIONES AGUAS METROPOLITANAS S.A. AND SUBSIDIARIES		AGUAS ANDINAS S.A. AND SUBSIDIARIES		AGUAS CORDILLERA S.A. AND SUBSIDIARY	
	2016 TH\$	2015 TH\$	2016 TH\$	2015 TH\$	2016 TH\$	2015 TH\$
ASSETS						
Current assets	183,335,457	149,878,646	182,071,355	148,629,745	48,898,587	22,617,084
Non-current assets	1,861,126,917	1,813,935,150	1,589,747,781	1,542,568,103	289,572,852	276,453,597
Total Assets	2,044,462,374	1,963,813,796	1,771,819,136	1,691,197,848	338,471,439	299,070,681
LIABILITIES						
Current liabilities	212,350,061	233,356,245	211,931,051	232,407,312	52,771,971	23,685,163
Non-current liabilities	873,274,457	787,470,368	873,005,660	787,200,069	73,086,242	75,730,167
Equity	589,683,018	580,626,344	634,157,180	617,195,977	212,612,997	199,655,122
Minority participation	369,154,838	362,360,839	52,725,245	54,394,490	229	229
Total liabilities and shareholders' equity	2,044,462,374	1,963,813,796	1,771,819,136	1,691,197,848	338,471,439	299,070,681
INCOME STATEMENT						
Ordinary revenues	491,998,470	473,397,244	492,002,980	473,396,705	63,521,557	62,038,204
Operating costs	(268,664,327)	(260,359,162)	(267,499,304)	(259,126,709)	(40,256,341)	(37,592,758)
Financial result	(20,607,160)	(21,278,214)	(20,643,577)	(21,322,586)	(919,553)	(835,484)
Others, different from operations	(5,587,960)	(26,582,895)	(5,580,178)	(26,579,831)	17,600,783	(1,472,841)
Income tax	(43,454,302)	(33,845,906)	(43,442,462)	(33,683,724)	(7,921,350)	(3,670,465)
Minority participation	(79,395,526)	(68,047,759)	(4,261,793)	(3,675,713)	(10)	(15)
Earnings attributable to owners of the parent company	74,289,195	63,283,308	150,575,666	129,008,145	32,025,086	18,466,641
CASH FLOW STATEMENT						
Net cash flows from operations	232,773,738	211,900,063	234,098,851	214,469,492	22,689,705	19,080,170
Net cash flows from investments	(93,203,205)	(91,751,420)	(93,180,602)	-91,751,420	13,091,106	(10,324,999)
Net cash flow from financing ctivities	(107,639,669)	(113,677,232)	-108,995,335	-115,966,697	(9,882,384)	(8,649,832)
Net increase (decrease) in cash and cash equivalents	31,930,864	6,471,411	31,922,914	6,751,375	25,898,427	105,339
Cash and cash equivalents at the start of the period	34,191,142	27,719,731	32,953,529	26,202,154	9,046,129	8,940,790
Cash and cash equivalents at the end of the period	66,122,006	34,191,142	64,876,443	32,953,529	34,944,556	9,046,129

BALANCE SHEET

as of December 31, 2016 and 2015

	AGUAS MANQUEHUE S.A.		IBERAGUAS LTDA. AND SUBSIDIARY		ESSAL S.A.	
	2016 TH\$	2015 TH\$	2016 TH\$	2015 TH\$	2016 TH\$	2015 TH\$
ASSETS						
Current assets	4,859,500	3,319,920	15,182,067	14,787,748	15,425,907	14,781,420
Non-current assets	79,936,629	75,175,718	174,524,684	167,626,536	147,548,129	140,909,823
Total Assets	84,796,129	78,495,638	189,706,751	182,414,284	162,974,036	155,691,243
LIABILITIES						
Current liabilities	7,697,070	3,498,085	15,445,568	14,486,457	17,710,264	16,343,039
Non-current liabilities	23,831,041	21,813,263	68,171,860	62,666,961	68,171,861	62,666,961
Equity	53,268,018	53,184,290	68,314,285	67,687,059	77,091,911	76,681,243
Minority participation			37,775,038	37,573,807	-	-
Total liabilities and shareholders' equity	84,796,129	78,495,638	189,706,751	182,414,284	162,974,036	155,691,243
INCOME STATEMENT						
Ordinary revenues	11,488,104	10,986,311	53,655,895	49,523,574	53,655,895	49,523,574
Operating costs	(7,990,313)	(6,052,435)	(33,057,105)	(30,387,012)	(33,044,505)	(30,375,448)
Financial result	(64,831)	57,257	(2,695,516)	(2,383,381)	(2,695,516)	(2,383,381)
Others, different from operations	(680,928)	(460,185)	(945,654)	(1,720,552)	(945,421)	(1,720,294)
Income tax	(404,901)	(988,931)	(3,829,202)	(3,080,888)	(3,807,165)	(3,059,796)
Minority participation			-6,450,011	-5,872,481		
Earnings attributable to owners of the parent company	2,347,131	3,542,017	6,678,407	6,079,260	13,163,288	11,984,655
CASH FLOW STATEMENT						
Net cash flows from operations	2,883,964	3,431,084	20,716,884	23,533,968	20,750,809	23,588,153
Net cash flows from investments	(3,260,342)	(4,630,611)	(13,577,658)	-13,023,590	(13,577,658)	(13,023,590)
Net cash flow from financing ctivities	1,019,332	522,049	(8,444,542)	(11,366,942)	(8,488,139)	(11,418,806)
Net increase (decrease) in cash and cash equivalents	642,954	(677,478)	(1,305,316)	(856,564)	(1,314,988)	(854,243)
Cash and cash equivalents at the start of the period	628,456	1,035,934	1,534,721	2,391,285	1,528,392	2,382,635
Cash and cash equivalents at the end of the period	1,271,410	628,456	229,405	1,534,721	213,404	1,528,392

BALANCE SHEET

as of December 31, 2016 and 2015

	ECORILES S.A.		AGUAS DEL MAIPO S.A		GESTIÓN Y SERVICIOS S.A		ANÁLISIS AMBIENTALES S.A	
	2016 TH\$	2015 TH\$	2016 TH\$	2015 TH\$	2016 TH\$	2015 TH\$	2016 M\$	2015 M\$
ASSETS								
Current assets	5,103,621	4,666,622	477,419	1,435,830	5,768,832	6,085,890	2,029,111	2,339,638
Non-current assets	425,004	384,060	8,347,776	8,461,121	907,094	286,174	5,354,352	5,492,895
Total Assets	5,528,625	5,050,682	8,825,195	9,896,951	6,675,926	6,372,064	7,383,463	7,832,533
LIABILITIES								
Current liabilities	2,390,465	2,217,789	99,426	498,671	3,690,043	1,821,756	2,956,521	4,235,959
Non-current liabilities			82,367	57,196	40,043	36,577		
Equity	3,148,160	2,832,893	8,643,402	9,341,084	2,945,840	4,513,731	4,426,942	3,596,574
Minority participation								
Total liabilities and shareholders' equity	5,538,625	5,050,682	8,825,195	9,896,951	6,675,926	6,372,064	7,383,463	7,832,533
INCOME STATEMENT								
Ordinary revenues	12,726,542	12,592,871	0	920,864	8,569,328	9,405,126	7,159,548	6,989,535
Operating costs	(10,519,496)	(10,276,082)	(731,325)	(646,984)	(8,094,804)	(8,609,974)	(6,167,761)	(5,725,439)
Financial result	42,883	41,876	153,645	489,698	14,446	(5,463)	(115,362)	23,291
Others, different from operations	3,861	10,051	172,081	(105)	(2,295,062)	(1,163)	8,751	121,281
Income tax	(531,150)	(503,987)	(35,653)	(118,238)	553,002	(172,498)	(186,434)	(271,177)
Minority participation								
Earnings attributable to owners of the parent company	1,722,640	1,864,729	(441,252)	645,235	(1,253,090)	616,028	698,742	1,137,491
CASH FLOW STATEMENT								
Net cash flows from operations	2,843,287	2,843,287	(636,020)	192,159	1,063,565	1,138,931	1,537,032	1,755,458
Net cash flows from investments	(137,608)	(137,608)	153,645	489,717	(104,489)	(606)	(541,891)	(4,845,265)
Net cash flow from financing ctivities	(1,950,000)	(1,950,000)	(450,000)	(1,712,000)	(500,000)	(880,000)	(1,058,000)	1,250,000
Net increase (decrease) in cash and cash equivalents	755,679	755,679	(932,375)	(1,030,124)	459,076	258,325	(62,859)	(1,839,807)
Cash and cash equivalents at the start of the period	1,561,984	806,305	1,028,078	2,058,202	502,671	244,346	67,098	1,906,905
Cash and cash equivalents at the end of the period	2,317,663	1,561,984	95,703	1,028,078	961,747	502,671	4,239	67,098